

STATE BOARD OF LAND COMMISSIONERS

July 17, 2018
Regular Agenda

SUBJECT

Cottage Site VAFO 2024

BACKGROUND

In February 2010, the State Board of Land Commissioners (Land Board) directed the Idaho Department of Lands (Department) to unify the 523 cottage site split estates. Thereafter, the Land Board directed the Department to address the need for formal access, accurate easements, and subdivision platting associated with the cottage sites (Lot Solutions).

In October 2014, the Land Board approved a 3-Year voluntary auction for ownership (VAFO) Plan for the sale of 60 sites per year in 2015, 2016, and 2017. The yearly lots offered for sale were determined through a random lottery selection process for interested lessees. Interest in the 3-Year VAFO Plan exceeded the predetermined 180-lot capacity and the excess sites were given an alternate position number.

In February 2016, the Land Board approved the 4-Year VAFO Plan that provided every lessee an opportunity to participate in a VAFO by the end of 2019 (Attachment 1). The 4-Year VAFO Plan utilized the same random lottery selection positions created for the 3-Year Plan to fill years 2016 through 2018. Any lessee that did not participate in the lottery selection process is allowed to participate in the 2019 VAFO cycle.

Since 2011, VAFO auctions have resulted in the transition of 342 cottage site lots to private ownership (140 lots at Payette Lake and 202 lots at Priest Lake) for a total of \$152,584,545 to the endowments.

After the 2018 VAFO cycle concludes, an estimated 395 or 76% of the original 523 cottage site lots will have been sold. The chart below illustrates the success of the VAFO process through the 2018 cycles.

Remaining Leased Cottage Site Lots After 2018 Auction Cycles							
	Starting # of Cottage Site Lots	# of Lots Sold	Current # of Lots	2018 VAFO / ULA	Estimated Lots After 2018	Un-Leased Lots After 2018	Leased Lots After 2018
Payette Lake Cottage Sites	168	140	28	2	26	0	26
Priest Lake Cottage Sites	355	202	153	51	102	8	94
Payette & Priest Lake Cottage Sites	523	342	181	53	128	8	120

The remaining 128 cottage site lots consist of 8 unleased and 94 leased Priest Lake lots and 26 leased Payette Lake lots. Lessees of the 120 leased lots did not participate in the VAFO selection process or opted out of a previously assigned VAFO cycle.

In December 2017, the Land Board approved the 2018 Cottage Site Leasing Plan to allow leases to be offered through 2024. The Plan provides additional time for lessees that were not in a position to take part in a previous VAFO to participate in a future VAFO cycle.

DISCUSSION

VAFO 2024 Plan

To gauge interest in future VAFO cycles, the Department conducted a survey of the remaining cottage site lessees. Of the 73 lessees that responded, 61 indicated an interest in participating, while 12 lessees indicated they were not interested in participating in a future VAFO cycle (Attachment 2).

The Department seeks approval to continue to offer VAFO cycles through 2024 based on the level of interest and market conditions.

Under the proposed VAFO 2024 Plan, the process will remain essentially the same as the previously approved 4-Year Plan:

1. Pre-application meeting;
2. Application;
3. Appraisal and Title Work;
4. Auction Administration Agreements;
5. Legal Notice and Marketing; and
6. Auction and Close of Escrow.

To be eligible to participate in a VAFO cycle, a lessee must meet the following criteria (the first three of which remain unchanged from prior VAFO cycles):

1. Be in good standing and not otherwise indebted to the state of Idaho;
2. Not be named in litigation against the Land Board;
3. Not have a conflicted lease; and
4. Either:
 - a. Have no mortgage or deed of trust (collectively, "DOT") on the cottage site lease or on lessee's Personal Property located on the land; or
 - b. Require the lender of an approved, preexisting DOT to execute a release or reconveyance of the DOT to be held in escrow, to be effective upon closing to a third party purchaser at auction upon payment of the appraised value of the Personal Property; or
 - c. Have an approved, preexisting DOT, not in default, with an unpaid principal balance owing in an amount not exceeding 75% of the appraised value of the Personal Property, and with the non-default status and remaining balance owing confirmed in writing by the lender.

New Residential Lots

Through the original Lot Solutions process, fourteen lots were created in the Cove Replat and Cougar Island Subdivisions at Payette Lake. Nine new residential lots were created in the Cove Replat Subdivision by bisecting nine leased lakefront cottage site lots. Cougar Island was platted into five lots, only one of which is leased (Attachment 3). The previous disposition plans have been limited to the historically leased cottage sites and have not included these new residential lots.

Similar to the inclusion of cottage sites that are no longer leased, new lots do not have a lessee legacy effect. Offering new lots will likely generate additional interest and bidding at the auctions, especially when offered in the same cycle as adjacent leased lots.

The Department will include these new residential lots in auctions when prudent, based on interest and broker recommendation. Auctioning of residential lots will follow the Unleased Lands Auction (ULA) process.

Auction Locations

The sale of all state lands must be in Ada County unless otherwise approved by the Land Board (Idaho Code § 58-314). For both lessees and other potential purchasers, the city of Coeur d'Alene, in Kootenai County, is the most convenient location for the auction of lots at Priest Lake. The Department is seeking approval to continue to auction cottage sites in Ada, Bonner, Kootenai, or Valley Counties as needed and deemed appropriate for each lot.

Outreach and Stakeholder Engagement

On April 13, 2018, the Department provided copies of the proposed VAFO 2024 Plan to representatives of the Payette Lake Cottage Site Owners Association, the Cove Association, and the Priest Lake Cottage Site Owners Association (PLCOA). The Department then met with the PLCOA board and discussed the proposal on April 23, 2018. Attachment 4 is the PLCOA letter of support.

On April 13, 2018, the Department provided copies of the proposed VAFO 2024 Plan to the Bonner County and the Valley County Commissioners. On May 10, 2018, Department staff presented the proposal to the Bonner County Commissioners at their regularly scheduled meeting. A letter from the Bonner County Commissioners is included (Attachment 5).

On May 14, 2018, Department staff presented the proposal to the Valley County Commissioners at their regularly scheduled meeting. The Valley County Commissioners did not provide comment on the proposal.

RECOMMENDATION

Approve the Department's proposed Cottage Site Voluntary Auction for Ownership (VAFO) 2024 Plan, approve the auctioning of the new residential lots at Payette Lake, and approve the auctioning of future lots in locations appropriate for each site to include Ada, Bonner, Kootenai, or Valley Counties.

BOARD ACTION

A motion was made by Attorney General Wasden that the Board adopt and approve the Department recommendation that is to approve the Department's proposed Cottage Site Voluntary Auction for Ownership 2024 Plan, and include the auctioning of new residential lots at Payette Lake, and approve the auctioning of future lots in locations appropriate for each site to include Ada, Bonner, Kootenai or Valley counties. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

ATTACHMENTS

1. February 16, 2016 Approved Memo
2. VAFO Past and Future
3. New Lot Maps
4. PLCOA Letter of Support
5. Bonner County Commissioners' Letter



STATE BOARD OF LAND COMMISSIONERS
February 16, 2016
Regular Agenda

SUBJECT

Cottage Site 4-Year Auction Plan 2016-2019

BACKGROUND

The Land Board's authority to dispose of endowment trust lands is provided for in the Idaho Constitution, Article IX, Sections 8 and 10; the Idaho Admissions Bill Section 5, and Idaho Code Sections 58-104(8), 58-133, 58-138, 58-154, 58-301, 58-310, 58-313, 58-314, 58-505.

In February of 2010 the Land Board gave the Department direction to unify the cottage site split estates and to develop a voluntary auction for ownership (VAFO) process (Attachment 1). Since 2011, auctions have resulted in the transition of one hundred and eighty nine (189) cottage site lots into private ownership: eighty seven (87) lots at Payette Lake and one hundred two (102) lots at Priest Lake.

In April of 2014 the Land Board approved the 2015-2016 cottage site auction goals (Attachment 2). This memo set goals of one to two auction cycles per year with capacity as determined by experience and the level of interest expressed by lessees.

In October of 2014 the Land Board approved a 3-Year VAFO Plan for the sale of sixty (60) sites per year in 2015, 2016, and 2017 (Attachment 3). The lots for each year were determined through a random lottery selection process for lessees that had expressed interest in the 3-Year VAFO Plan. Interest in the 3-Year VAFO Plan exceeded the predetermined one hundred eighty (180) lot capacity and the excess sites were given an alternate position number.

The 3-Year VAFO Plan was developed to provide predictability of VAFO cycles and to establish eligibility criteria for participation in a VAFO. During 2015, the Department continued to hear concerns from lessees regarding uncertainty for those not in the 3-Year VAFO Plan and requests to increase the number of sites allowed to participate in a VAFO each year.

DISCUSSION

Over the last year the Department has adjusted the VAFO cycle time line to increase capacity in future years and has developed a proposed 4-Year VAFO Plan (2016-2019) that would allow every lessee an opportunity to participate in a VAFO by the end of 2019 (Attachment 4). This plan adds certainty for all lessees interested in participating in a VAFO and increases the number of VAFO positions offered each year.

Given that the total number of lessees wanting to participate in a VAFO over the next four years is unknown and will likely change, the proposed 4-Year VAFO Plan was developed to accommodate every remaining cottage site by 2019. The proposed 4-Year VAFO Plan shows the total number of cottage sites in 2010 (523) and calculates the remaining balances by year. Balances by lake (Priest and Payette) are also shown.

Under the proposed 4-Year VAFO Plan, the 2016 Payette Lake VAFO spots are filled from the auction positions selected through the lottery process. The remaining cottage sites at Payette Lake are then apportioned over the final three years of the proposed 4-Year VAFO Plan. After the 2016 cycle at Payette Lake, the Department anticipates less interest than there are positions available in the proposed 4-Year VAFO Plan. As such, a random selection process would be used only if needed in a given year. The Department created an updated Auction Position sheet for Payette Lake listing positions that participated in a VAFO and adding the needed positions through 2019 (Attachment 5).

At Priest Lake, the Department proposes to use the existing selection numbers and alternates for years 2016-2018. All sites that dropped out prior to the 2016 VAFO cycle or did not opt into the selection process last year will be eligible to participate in a 2019 VAFO. Given that every lessee that does not currently hold a lottery position will be allowed to participate in the same year (2019), no selection process is needed. The Department has created an updated Auction Position sheet for Priest Lake showing positions that have participated in a VAFO and adding positions for 2019 (Attachment 6).

In 2016 unleased lots, including vacant lots and lots under a short term land use permit, will be offered at each lake through a separate process for Unleased Lands Auctions (ULA). In the remaining years, ULAs will only be processed if an application is received in time to keep the ULA in the same cycle and time line as the VAFO for that year.

On January 6, 2016 the Department provided a copy of the proposed 4-Year VAFO Plan to members of the Priest Lake State Lessees' Association (PLSLA) Board, and Payette Lake representatives Fred Shoemaker, Patrick Miller, and Steve Millemann, to seek their input (Attachment 7). Additionally, Department staff presented the proposed 4-Year VAFO Plan to the PLSLA Board on January 13, 2016.

The Department received emails from Patrick Miller and Fred Shoemaker expressing appreciation for the opportunity to provide input (Attachment 8). Patrick Miller did not provide further comment, but the Department received letters of support from the PLSLA Board and Fred Shoemaker (Attachment 9). In their letter, the PLSLA Board states the proposed 4-Year VAFO Plan met their four main concerns:

1. Lessees that opted into the lottery selection process should have priority over those that did not or those that had a lottery position but chose not to participate last year;
2. Increase the number of sites allowed to participate in a VAFO each year;
3. Complete the VAFO process for all those who want to participate as soon as possible; and
4. Maintain the Priest Lake VAFO auctions separate from the ULA auctions.

The leasing program and its future is not addressed in the proposed 4-Year VAFO Plan; however, after the lessees wanting to participate in a VAFO have had an opportunity to do so, the Land Board and the Department will evaluate the Residential Program and determine the future plans for residential leasing. In the event that a lease expires prior to the prescribed auction date, the lease will be extended through that auction.

Under the proposed 4-Year VAFO Plan, the process will remain the same:

1. Pre-application;
2. Application;
3. Appraisal and Title Work;
4. Auction Administration Agreements;
5. Legal Notice and Marketing; and
6. Auction and Close of Escrow.

A lessee must meet the following criteria to be eligible to participate in a VAFO cycle:

1. Be in good standing and not otherwise indebted to the State of Idaho;
2. Not be named in litigation against the Land Board;
3. Not have a conflicted lease (this will become relevant again when the staggered leases begin expiring at the end of 2018); and
4. Not have a mortgage or deed of trust on the property or have an executed deed of reconveyance by the lender accepting the appraised value of the personal property as payment in full to be held in escrow pending closing.

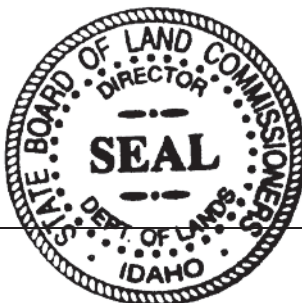
The sale of all state lands must be in Ada County or in the county seat where the land being sold is located, unless otherwise approved by the Land Board (Idaho Code Chapter 58-314). The city of Coeur d'Alene in Kootenai County is the most convenient location both for lessees and other potential purchasers of cottage sites at Priest Lake. The Department is seeking approval to auction cottage sites in Ada, Bonner, Kootenai, or Valley Counties as needed and deemed appropriate for each site.

RECOMMENDATION

Approve the Department's proposed 4-Year VAFO Plan and approve the auctioning of future cottage sites in locations appropriate for each site to include Ada, Bonner, Kootenai, or Valley Counties.

BOARD ACTION

A motion was made by Attorney General Wasden that the Board adopt the Department recommendation as outlined on page 3 of 4 of agenda item 6. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.



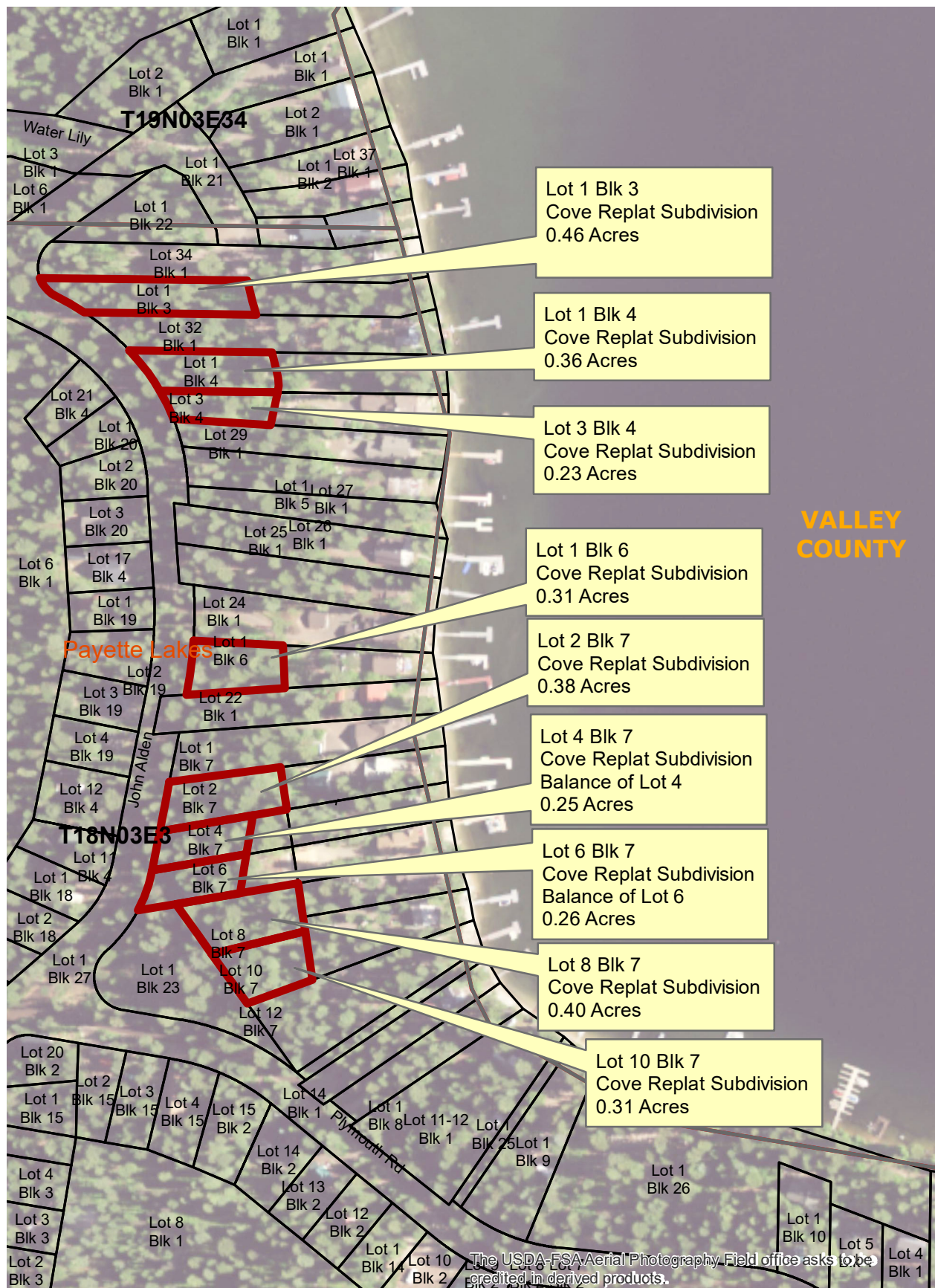
ATTACHMENTS

1. February 16, 2010 Approved Memo
2. April 15, 2014 Approved Memo
3. October 28, 2014 Approved Memo
4. Cottage Site 4-Year VAFO Plan
5. Payette Lake 4-Year Auction Positions
6. Priest Lake 4-Year Auction Positions
7. Sample Stakeholders' Outreach Letter dated January 6, 2016
8. Patrick Miller and Fred Shoemaker Acknowledgements
9. PLSLA Board and Fred Shoemaker Responses

VAFO History / 2024 Projections

7/3/2018

Payette Lake Cottage Sites																
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Lots Sold / VAFO & ULA		2		13	21	51	30	14	9							140
Remaining Lots	168	166	166	153	132	81	51	37	28							
Expressed interest in future VAFO cycle									2	3	1	1	0	1	0	
Remaining Lots after future cycles									26	23	22	21	21	20	20	
Priest Lake Cottage Sites																
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Lots Sold / VAFO & ULA					59	43	43	57								202
Remaining Lots	355	355	355	355	296	253	210	153								
Expressed interest in future VAFO cycle									51	26	10	2	3	3	11	
Remaining Lots after future cycles									102	76	66	64	61	58	47	
Priest & Payette Lake Cottage Sites									2017	2018	2019	2020	2021	2022	2023	2024
Lots Sold	0	2	0	13	80	94	73	71	9							342
Remaining Lots	523	521	521	508	428	334	261	190	181							
Expressed interest in future VAFO cycle									53	29	11	3	3	4	11	
Remaining Lots after future cycles									128	99	88	85	82	78	67	



Payette Lake Sites



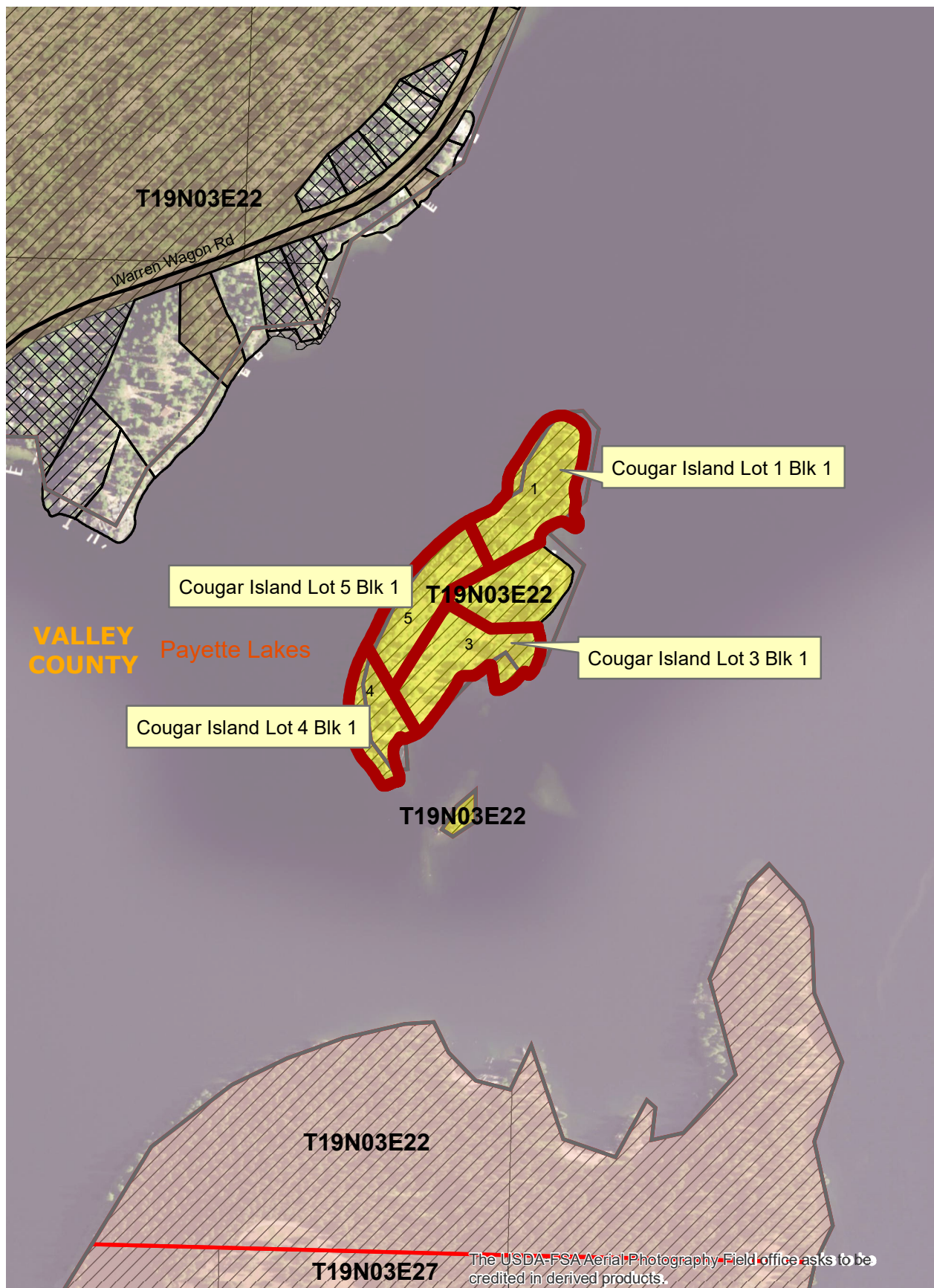
Date: 4/12/2018



Legend



ATTACHMENT 3



Payette Lake Sites



Date: 3/14/2018

Legend

 Payette Lake Sites





Priest Lake Cabin Owners' Association, Inc.

John Brumley – President, Randy Absalonson – Vice President, Maggie Drummond – Treasurer
Sherry Lee - Secretary, Greg Gfeller, Tom Hartanov, Jeff Johnson, John Mandere, Matt Rudolf.
Trustees: Denny Christenson – President Emeritus, Jennifer Lehn, Jim McLean, Bill Symmes,
Jerry Whitehead, Bud Belles – Website Admin, Chuck Lempesis-Attorney

PLCOA Board of Directors

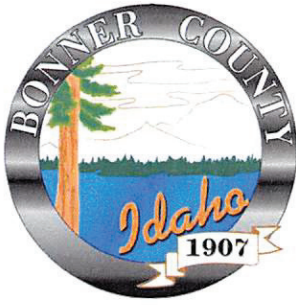
May 14, 2018

Dear Members of the Idaho State Land Board,

On behalf of the 233 members of the Priest Lake Cabin Owners Association and our 16 member Board of Directors, I would like to thank Sid Anderson for presenting the new VAFO recommendation to our Board on April 23, 2018. Sid outlined the plan to continue the VAFO sales from 2020 through 2024. This proposal will allow present lessees another six years to purchase their lake sites and it coincides with the present ending date for leases. After a short discussion our Board voted unanimously to support the presented proposal for 2020-2024.

Our thanks again to Sid and the Department of Lands for their careful consideration of these very complex issues. Our PLCOA Board and membership look forward to continuing the friendly and open discussion of issues that affect both of our organizations.

Sincerely,
John T. Brumley
President, PLCOA



Bonner County

Board of Commissioners

Glen Bailey

Daniel McDonald

Jeff Connolly

May 22, 2018

State Board of Land Commissioners
Idaho Department of Lands
Attn: Sid Anderson
P.O. Box 83720
Boise, ID 83720-0050

RE: VAFO 2024

Dear Commissioners:

This letter is to notify you that we have received your letter dated April 12, 2018 in which you outlined the voluntary auction for ownership 2024. You requested a response from our office outlining our position in regards to the VAFO 2024. The Bonner County Commissioner's would like to inform you that we have no objection should you decide to move forward with the VAFO 2024 as discussed in your letter.

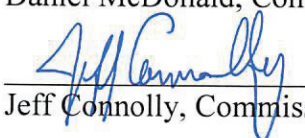
Please keep us informed as to any decisions you make in regard to this issue. If we can be of further assistance, do not hesitate to contact us. Thank you.

Sincerely,

Bonner County Board of Commissioners


Glen Bailey, Chairman


Daniel McDonald, Commissioner


Jeff Connolly, Commissioner