



## Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board  
Lawrence E. Denney, Secretary of State  
Lawrence G. Wasden, Attorney General  
Brandon D Woolf, State Controller  
Sherri Ybarra, Superintendent of Public Instruction  
Dustin T. Miller, Secretary to the Board

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*Be it remembered, that the following proceedings were had and done by the State Board of Land Commissioners of the State of Idaho, created by Section Seven (7) of Article Nine (IX) of the Constitution.*

Final Minutes  
State Board of Land Commissioners Regular Meeting  
November 17, 2020

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, November 17, 2020 in the State Capitol, Lincoln Auditorium (WW02), 700 W Jefferson Street, Boise, Idaho, and via webinar. The meeting began at 9:00 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

Honorable Governor Brad Little  
Honorable Secretary of State Lawrence Denney  
Honorable Attorney General Lawrence Wasden  
Honorable State Controller Brandon Woolf  
Honorable Superintendent of Public Instruction Sherri Ybarra

For the record, the Governor's Stage 2 Stay Healthy Order, dated 11/13/2020, limited gatherings, including public meetings, to 10 persons or less in physical attendance. Attorney General Wasden was present at the physical meeting location with all other Board members joining via Zoom webinar.

**1. Department Report** – *Presented by Dustin Miller, Director*

**Trust Land Revenue**

- A. Timber Sales – October 2020
- B. Leases and Permits – October 2020

**Discussion:** Referring to the graph on page 4 of the Timber Sales report, Governor Little requested a more accurate reflection of the timber revenue that is coming in. Controller Woolf asked if a 6-month rolling average is an optimal review or would a different time frame better capture timber revenue. Director Miller replied the 6-month rolling average has historically been utilized; the Department is working on a method to capture revenue more accurately in real time. Controller Woolf inquired if the Department is doing all it can to capitalize on current market conditions. Deputy Director Bill Haagenson responded the Department markets timber sales according to the timber sales plan approved by the Land Board. The Department tries to get 50% of timber sales offered before the end of the calendar year to capitalize on the right timing for sales during the late summer and to hit another significant volume later in the spring. Sales

are timed in a way that helps the industry; operators are in a better position to have more time to harvest the sales, and that allows them to bid a higher price on those sales. The Department is not able to make significant adjustments to the timber sales plan in order to capitalize on current markets because sales are prepped approximately two years in advance.

**2. Endowment Fund Investment Board Report** – *Presented by Dean Buffington, Chairman, Endowment Fund Investment Board, Chris Anton, EFIB Manager of Investments, and Tom Wilford, Chair, Land Board Audit Committee*

- A. FY2020 Annual Report
- B. Manager's Report
- C. Land Board Audit Committee Report

**Discussion:** Chairman Dean Buffington explained the Endowment Fund Investment Board is having a joint meeting with the State Land Board as happens each May and November to maintain communications. Mr. Buffington said the Investment Board is happy to participate today, especially after the way the markets have acted the last few days. Following this presentation, the Investment Board will convene at its regular November meeting at 10:00 this morning. Mr. Buffington identified members of the Investment Board: Jerry Aldape; Warren Bakes, Chair of the Compensation Committee; Representative Steven Harris; Irv Littman; Gary Mahn; Richelle Sugiyama, Vice Chair of the Investment Board; Tom Wilford, Chair of the Land Board Audit Committee; and Senator Chuck Winder. Also present today is Julie Weaver with the Attorney General's Office; Callan representative Janet Becker-Wold; CliftonLarsonAllen representative Braden Rudd; and EFIB staff Chris Anton, Chris Halvorson, Kathy Van Vactor and Liz Wieneke. Mr. Buffington noted that Mr. Anton will provide a summary of the Fiscal 2020 financial performance and an update of FY2021 year to date, then Mr. Wilford will discuss the recent efforts and results of the Land Board Audit Committee.

Mr. Anton highlighted from the Endowment Fund Investment Board FY2020 annual report some of the important performance measures that took place during the year. Fiscal year 2020 was a challenging year due to the COVID-19 world-wide pandemic, but it turned out to be a strong year for the endowment fund. The endowment fund grew by 3% or \$72.2 million to just under \$2.4 billion as of June 30, 2020. Earnings reserve levels exceeded targets at the end of the fiscal year, which allowed the Land Board to approve the transfer of \$18.7 million from earnings reserves into the permanent fund. That transfer increased the gain benchmark and positioned the fund for larger beneficiary distributions in the future. The endowment fund had investment returns of 5.2% during the year which ranked the fund in the top 15th percentile in the Callan public fund sponsored database. Costs to manage the fund were up slightly to \$11.5 million or 0.48%, reflecting the fact that a greater portion of the fund is now managed through active management, particularly in the fixed income area where active management was added. Net land revenue grew by 18.8% to \$47.5 million as the Department of Lands advanced its Forest Asset Management Plan to sustainably increase the volume of timber harvested. Distributions to beneficiaries grew by 3.5% to \$80.9 million in FY2020; the Land Board approved distributions of \$84.5 million and \$88.1 million in fiscal years 2021 and 2022 respectively. It was a very solid, very positive year for the fund.

Prior to giving the October year-to-date report, Mr. Anton remarked the monthly reports are always interesting because they are written a couple of weeks prior to the meeting; this update was written prior to the [presidential] election and much has happened since the election. Mr. Anton reported the equity markets were strong during most of the month of October but slowed off in the final few days and ended down 1% for the month which left the fund up 4.6% fiscal year-to-date through October 31. The volatility seen in the equity markets resulted primarily from concern over heightened COVID-19 infection rates around the country and different parts of the world, uncertainty surrounding the presidential election, and the impasse in Congress with the critical second round of fiscal stimulus. The second wave of COVID-19 cases depressed investor sentiment and led to a selloff in global equities late in the month particularly in the areas where cases spiked: The United Kingdom, Europe, and many parts of the United States including Idaho. China, however, has been fairly successful at controlling the spread of the virus and their economy has been rebounding; Chinese equities had strong gains during the month of October. Despite the infection rate, the economy still seems fairly strong as the economies generally reopen, the Federal Reserve has been accommodative, and the U.S. had the first round of fiscal stimulus. During October and more recent periods, the GDP increased, unemployment improved, and manufacturing data gained strength. Although the U.S. has rebounded considerably from depths of the virus when the nation had lock downs, the country is still well below pre-pandemic levels. Most people believe that a second round of stimulus is important to keep the economy moving until the new vaccines are fully in place and until the virus situation is controlled. Mr. Anton commented that was the status at the end of the month. There was a lot of uncertainty around the election, a lot of challenges with COVID-19 increases. Since the end of the month, the election is over, and a new president is identified. There is a divided Congress which may present some challenges in the second round of stimulus but hopefully a deal will be done in the near future. On the positive front, both Pfizer and Moderna have announced, with sizable case studies of their vaccines, very high effective rates. Pfizer announced their vaccine is 90% effective and Moderna 94.5%. As a result, the markets have rebounded with the relief of uncertainty around the presidential election, and the belief that a vaccine is coming that will be effective although certainly it will take time to implement and roll out. The endowment fund is up more than 8% so far during the month of November and through yesterday [November 16] the portfolio was up 13.1% fiscal year-to-date. Two short weeks can make a big change during certain periods as seen in a positive manner for the first part of November. Mr. Anton concluded his monthly report by mentioning reserves are in good shape given investment returns.

Governor Little observed that he loves green in the report and remarked that for the Investment Board to be 100 basis points above the benchmark for 3 years and 50 basis points for 10 years means EFIB staff and advisors are earning their wages; it is pretty incredible. Governor Little thanked the Investment Board members for their service to the state of Idaho.

Mr. Anton introduced Tom Wilford, Chair of the Land Board Audit Committee, to present the independent auditors' report of financial statements and agreed-upon procedures. Mr. Wilford noted that members of the audit committee include Gary Mahn, Jerry Aldape, Robin Lockett, and State Controller Brandon Woolf. Each year the State of Idaho Endowment Fund commissions an independent audit of financial reports of the Idaho Department of Lands and conducts certain agreed-upon procedures to ensure accurate financial reporting, solid internal controls, and transparency to its stakeholders. The Land Board Audit Committee met with representatives of

the independent auditors of CliftonLarsonAllen, members of EFIB, and Department of Lands staff on August 12, 2020 to review these results and these procedures. Mr. Wilford reported that the audited financial statements and the agreed-upon procedures were reviewed and accepted by the Land Board Audit Committee. CliftonLarsonAllen issued three reports and provided an unmodified opinion, also referred to as an unqualified opinion. These opinions are a representation by a professional independent third party; the financial statements present fairly in all material respects the financial position of the State of Idaho Endowment Fund as of June 30, 2020 and 2019. CliftonLarsonAllen also tested the agencies internal controls over financial reporting in compliance with certain provisions of the law, regulations, and contracts and found no issues to report. Mr. Wilford indicated that because this is his first year on this committee, the auditors spent some time explaining to him the internal controls; he was satisfied with their explanations. CliftonLarsonAllen also conducted agreed-upon procedures for the Department of Lands; they had no findings to report and that is good news. Mr. Wilford stated the audit committee has an agreeable relationship with the CPA firm. Mr. Wilford said he had a good relationship with the auditors this year and had beneficial meetings with them during his first term in office.

**3. Performance Review of Total Endowment** – *Presented by Dustin Miller, Director*

**Discussion:** None.

**Consent—Action Item(s)**

**4. Statement of Investment Policy Annual Review** – *Presented by Bill Haagenson, Deputy Director*

**Recommendation:** Approve the revised Statement of Investment Policy.

**Discussion:** Attorney General Wasden thanked Mr. Haagenson and noted that in his review of the document, it appeared that most of the changes were some typographical errors, some updating of current numbers or percentages; it was primarily not substantive changes, but either clarification, correction, or updating of numbers. Attorney General Wasden asked if that was an accurate depiction. Mr. Haagenson replied that is correct.

Governor Little directed the Board members to page 5 and remarked the allocation looked like an update but wondered if that included the Packer acquisition and the expected 33% increased revenue with the Forest Asset Management Plan. Governor Little asked if those are reflected there, and not just a 2% increase in fiscal impacts, a 2% increase in fiscal assets and a 2% decrease in timberland. Mr. Haagenson responded that any acquisitions made with Land Bank funds have increased the overall value of the timberland portfolio, so an adjustment was made. For example, if the Department reinvested \$5 million in timberland that would then be added to the overall valuation of the timberland asset class. The Department has not made any adjustments to the valuation based on anticipated increases in income. Governor Little inquired if an asset that is returning 5% all of a sudden is going to be returning 8%, should that fit into this. Mr. Haagenson indicated the recommendation is to do periodic reevaluations of the value of those asset classes; that is something the Department plans to do. Preliminary conversations have occurred, and it will be moving forward sometime soon. Governor Little asked when the Land Board can expect to see this document updated to reflect the Forest Asset Management Plan. Mr. Haagenson answered the Department intends to bring that to the Land Board for

approval next year. Governor Little clarified the Land Board would not see anything for a year. Mr. Haagenson noted it would not be this document, which is reviewed annually. A reevaluation of the value of the timberland asset class is something the Department can move forward with sooner than that. Governor Little expressed his preference for a higher level of transparency so the beneficiaries know what kind of cash flow will be coming in rather than doing it only on a yearly basis. Mr. Haagenson replied that the Department will work on that.

## 5. **Approval of Draft Minutes** – October 20, 2020 Regular Meeting (Boise)

**Consent Agenda Board Action:** A motion was made by Attorney General Wasden that the Land Board adopt and approve the Consent Agenda. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

### **Regular—Action Item(s)**

## 6. **Forest Legacy-Clagstone Meadows Conservation Easement Partial Extinguishment** – *Presented by Craig Foss, State Forester and Division Administrator-Forestry and Fire*

**Recommendation:** Authorize the partial conservation easement extinguishment and sale in lieu of condemnation on approximately 13.7 acres of the Clagstone Meadows Conservation Easement in Bonner County.

**Discussion:** Controller Woolf noted that the Land Board is doing its part from the Department of Lands standpoint and inquired what action by the Land Board today is impacted or tied with the Idaho Fish and Game. Does their board also have to approve it and is there any connection with Stimson Lumber? Mr. Foss explained that typically the Department is the sole agency purchasing conservation easements using Forest Legacy dollars. Restrictions for the Department should something like this occur are dictated by fund requirements at the time of purchase. Mr. Foss stated in this particular case, Fish and Game also had a vested interest in acquiring this easement. They used different federal monies with different federal requirements; any refund of those monies back to Fish and Game or how they use them is dictated by the source of the federal funds used for the purchase. The Department is not tied to Fish and Game or vice versa in terms of how each agency uses their funds. Each agency has to follow the federal guidelines for the funds used in the original acquisition. Fish and Game will be able to use their funds in a manner directly tied to the source of those funds. Mr. Foss said he did not know whether Fish and Game needs to go through a similar approval process with their advisory board.

Governor Little asked if neighbors and county commissioners are notified when the Department does a Forest Legacy transaction, whether it is purchasing a conservation easement or extinguishing one such as before the Land Board today. Mr. Foss answered when the Department is purchasing a conservation easement and is in negotiations, staff notifies the county commissioners and land trust sponsor for each project, who meets with the commissioners. In the case of an extinguishment, where there is essentially a condemnation by the Idaho Transportation Department, there is a small amount of money coming back to the Department. When the Department reinvests those funds in another easement, staff will certainly be working with the county where the proposed acquisition is located and with the landowners. Mr. Foss noted in this case, though, his understanding is that the Department has not reached out to let folks know about the extinguishment. Governor Little recommended that

at one of the future Land Board meetings with a Forest Legacy project, the Department proposes a public outreach. Governor Little commented the Land Board usually receives a sheet of who is in favor, but never a sheet of who is opposed to the conservation easement. Governor Little observed that from a transparency perspective, the Land Board and Department should have a process through which the public is made aware of these projects; the Department can work on that for future. Governor Little added that forever is forever, but the Land Board is proving by this vote that it is not forever; the Land Board is unwinding it. Frankly, the economic prosperity of the state is enhanced by allowing this condemnation process to go through, but the public ought to have better awareness.

**Board Action:** A motion was made by Attorney General Wasden that the Land Board adopt and approve the Department's recommendation that is authorize the partial conservation easement extinguishment and sale in lieu of condemnation on approximately 13.7 acres of the Clagstone Meadows Conservation Easement in Bonner County. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

**7. Due Diligence for DeAtley (Lolo Creek) Land Exchange** – *Presented by Josh Purkiss, Program Manager-Real Estate*

**Recommendation:** Approve proceeding with due diligence for the DeAtley land exchange proposal.

**Discussion:** Governor Little asked if, during due diligence on these land exchanges, the Department notifies neighbors. Governor Little noted county commissioners were mentioned in the presentation which is a good thing. Mr. Purkiss replied notification to neighbors is not currently in the process, but staff can have a discussion and possibly add it to the process. Governor Little supposed that if he was a neighbor with state land out his back door and the next day there was a no trespassing sign on it, he might have an opinion about that. Governor Little requested that Department staff get back to the Land Board about a policy going forward. Mr. Purkiss responded they will do so.

**Board Action:** A motion was made by Attorney General Wasden that the Land Board adopt and approve the Department's recommendation that is authorize the Department to proceed with due diligence for the DeAtley land exchange proposal. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

## **Information**

*Background information was provided by the presenter indicated below. No Land Board action is required on the Information Agenda.*

For the record, prior to the start of presentations, Director Miller stated there are two information items. The first is a presentation from Trident Holdings regarding a proposal for endowment lands within the McCall area. The next is an update from the Department regarding its draft Payette Endowment Lands Strategy. Director Miller stressed that folks need to understand that this is strictly informational; no decisions will be made by the Land Board. Director Miller noted there is a lot of interest in both agenda items, and the Governor has a list of individuals who signed up to provide public comment.

Attorney General Wasden made a couple of observations. One is that in the agenda for today's meeting, the Trident presentation is placed on the informational part of the agenda; it is not marked as an action item and as a matter of law the Land Board cannot take any action on this portion. Attorney General Wasden stated he was reemphasizing what the Director said. That is important, because the Attorney General heard some comments in the community that the Land Board was going to make this decision today. As a matter of law, the Land Board cannot make that decision today. In addition, Attorney General Wasden mentioned he has been described, or others on the Land Board have been described, as the adversaries which is not factual. The Land Board is fulfilling its fiduciary responsibility to obtain information concerning these lands. That is why it is on the informational agenda. There may be decision points at some point in the future and there will be plenty of opportunity for input into those decisions, but they will not be made today. The Land Board is not in that sense the adversary, it is simply trying to fulfill its fiduciary responsibility to make decisions that put this land in a position to obtain the maximum long-term financial return as demanded by the constitution. Attorney General Wasden made his preliminary statement to help folks understand what the Land Board is trying to accomplish today and what the Land Board is trying to accomplish in the long run.

Governor Little echoed what the Attorney General said. Governor Little commented that according to the sign-up sheet the bulk of people are opposed. Governor Little advised everybody to pay attention to both presentations.

**8. Trident Holdings, LLC Request for Audience** – *Presented by Alec Williams, Manager, Trident Holdings LLC, and David New, President, Growing Excellence Inc.*

*[Editor's note: Due to duration, the Discussion portion of this item is written in first-person format. This is not a verbatim transcript.]*

**Discussion:**

**Alec Williams:** Governor and Land Board members, thank you for letting us present to you today. My name is Alec Williams and I am here to discuss with you the endowment lands in Valley County that have been described as a big hairy piece of land. I represent Trident Holdings and our PreserveMcCall proposal. Here with me today is Dave New and off screen we have Brent Lawson who together led our economic analysis. This proposal represents the work of 21 different people working tirelessly over the last 6 months and whose backgrounds span decades of work in conservation, land lot, park planning, mountain engineering, developments, economics, forest management, and community outreach. The pages of analysis that fill your binders and support this short presentation are something we hope you will spend time with, and we are eager to address your questions on today. Staff asked us about 6 months ago to first get feedback from the community. This proposal represents the product of that initial feedback and we'll hope to use that as a starting point for continued community outreach going forward. This is a process far more than it is ever a plan. It is a process that we want to be a good partner in. To that end, our presentation has 3 goals. First, we'll show how the land exchange provides schools statewide with \$107 million worth of real value. Our analysis proves that financial benefits of an exchange like this beats transitioning in order to then sell these lands. It beats asking IDL to become a developer and it beats holding lands for their appreciation value in future sale. Second, this proposal protects public access better than keeping these lands as endowment trust assets. In fact, this proposal gets to enhance that access by creating the state's largest

public park. Doing that serves all Idahoans. Third, we'll show how this path fulfills the needs we've heard community members voice; ranging from housing options priced for Idahoans to community recreation centers. I was born and raised here in Idaho. Four generations ago, my great grandparents built one of the first homes on the lake's east side. We've been going to the same spot ever since. It was there I trained for my military service, then following an MBA and law degree, I worked on major national-level capital projects but always remained based here in Idaho because I love it here. I gave up that career to leverage these skills and experiences for a project and place I believe in. I do want to first let Dave New discuss why this proposal is the best path forward for beneficiaries.

**David New:** Good morning, my name is David New. Thank you for the opportunity to speak with you today. I am here today as an independent advisor to Trident Holdings and the PreserveMcCall project, representing Smart Forest Solutions, part of that group of consultant advisors to Trident Holdings. I would also like to recognize the contributions to this analysis I am going to share a summary of with you, my fellow economists and business analysts Brent Lawson and Tom Montzka. My personal expertise for undertaking this analysis includes tertiary education in forestry and macroeconomics, as well as a career experience in timberlands appraisals, large-scale forest asset management including in Idaho, and a successful endowment land exchange in 2012. I am here today only because I believe that this proposed exchange is good for the endowment beneficiaries and in fact all Idahoans. I have also come to respect the sincerity, credibility, courage, and vision of Alec Williams. The endowment lands in the Payette Lakes basin face a growing challenge. Managing lands around a resort community for its timber revenues creates both a conflict and in fact a lost opportunity. Honoring the Land Board's esthetic management policies constrains timber revenue within the viewshed of Payette Lake, which already actually sits in an impaired timber market wood basket. In the next few minutes, I will show the value an exchange creates, how that beats performance today, and how it beats other strategies for managing these lands potentially in the future. For this exchange, our team worked to secure options on a little over 30,000 acres of lands in North Idaho. Timberlands that meet or exceed IDL's investment criteria. These criteria provide components of economic value for beneficiaries beyond simply their anticipated future returns. First, we recruited younger forest lands that enhanced the endowments allowable cut effect. Acquiring younger forests allows IDL to harvest more of its mature holdings elsewhere across the state. Second, we sought out private parcels that unlocked legal and physical access to lands the endowment already owns. Finally, there's a large benefit from supporting the endowments portfolio reallocation targets. This plan increases the endowments' timber and land investments to then help meet Callan's and the Land Board's recommended percentage asset allocations. More Land Bank funds are therefore available to invest in higher returning instruments such as equities. I also do want to point out that, because of some changes made at the last moment, on page 66 of the public document there is a small error in terms of the statement of the total revenues. What we're showing you today reflects that amendment. The results of these other value components are that for every appraised dollar of value in McCall, that same value to the endowment is multiplied when routed through an exchange. Basically, the more you believe McCall's endowment lands are worth, the more compelling a land exchange becomes as it multiplies the original value. In light of historical county opposition to endowment timberlands acquisitions, the project will create a tax escrow structure. This is a privately funded PILT [payment in lieu of taxes] to make these North Idaho counties whole in terms of property taxes. When you conservatively break down these components of value, the outcome is a potential \$3.7 million of



annual net income or a long-term real net present value of \$107.3 million for the beneficiaries. Let's compare this with financial statements IDL shared with the Valley County Commission recently. Even if IDL achieves the \$4.8 million of net revenue it projects over the next 10 years, which would be far more than it's ever received harvesting this land in the past, that still represents \$480,000 annually. The chart that is before you now shows how land exchange also grows the endowments' other asset classes. The accretive value this reallocation provides, following Callan's targets, is \$1.2 million annually or \$36 million in net present value. Finally, we evaluated several further asset strategies that we've heard during the last 9 months. To compare them, we projected these strategies over 80 years. Those potential strategies included holding the land for its appreciation value and potential future sale, having IDL conduct development in-house, and undertaking a land exchange; even in the worst case scenario delayed by unknown future litigation expenses, which is not something we believe is likely or merited, a land exchange still surpasses all other investment alternatives on every metric. I mentioned before the multiplier effect that this exchange offers. This is a real present value to beneficiaries divided by the appraised land value. You can see here a comparison of that multiplier for the alternatives. The total appraised values, the third column on the diagram that you're looking at, offers a range of values McCall's endowment lands might get appraised for, and therefore desired by the state, sold for. Conservation easements on non-urban lands are also an option. However, easements generally trade for less than the full economic land value. That makes selling easements that restrict endowment lands forever an even worse fiduciary path than selling that land outright. Finally, let's compare these strategies on several metrics. An exchange generally generates higher returns due to its multiplier effect, but it does so with a low earnings volatility of timberland. This quality makes the risk-adjusted return on an exchange extremely strong. Considering risk-adjusted returns is critical to the endowment management over long-term horizons and is actually the basis of Callan's very sound asset allocation guidance to the Land Board over the last decade. When you compare all of these metrics for each investment path at a range of different appraisal values for McCall, the appropriate choice is obvious. We are providing our analysis, tables, and data to IDL as they analyze and recommend the best fiduciary path for the beneficiaries they serve. In conclusion, indecision has a real economic cost though. Indecision is in fact an investment decision. Each month spent waiting asks state schools to forgo one-third of \$1 million of lost potential revenue and the more McCall grows the more untenable the status quo becomes. Finally, the Department's proposal that we'll hear about later today suggests getting rid of the high value areas near the lake first, then figuring out the rest later. That destroys value on the endowment lands away from the water by diminishing their access to the lake and for the community it ends up being all about development but no park. In summary, an exchange creates \$107 million of real value at lower volatility level, it beats how these lands perform today, and it beats other strategies for managing these lands. I will turn you back over now to Alec to talk about the extensive land use planning that they have been working on.

**Alec Williams:** A high school friend of mine who grew up spending time in Valley County can no longer go. He doesn't own a boat, can't afford a home, and even the summer campsites in Ponderosa State Park are booked out by mid-December. McCall feels closed to him. When COVID hit, spiking both tourism and home sales, there was really no place to go. In a different conversation a couple of months back, a McCall real estate agent explained this lack of supply. Because of scarcity, out-of-state buyers have priced out Idahoans from owning homes there. If younger Idahoans are to stay here or come back to areas like Valley County, they need two things: a place to go and a reason that is protected to keep going. Creating an enormous public

park alongside areas of purposeful development gives Idahoans both. Now, these maps offer but a template we'll take to the community in the months ahead. We created this because residents asked us to come up with a working draft for how lands might get used so that they can tinker with and improve them. Responding to that request is why we created this document. No future change is off limits. We also polled the community and it showed how people's number one concern above everything else is public access. That's why our preferred park creation route is to expand Ponderosa State Park from 1,500 acres today to 19,000 acres after an exchange, to provide it the capital to grow and improve that park, and to allow Ponderosa to fund revenue for other state parks statewide. As with any private sector solution, there is a profit motive here, and that's because funding the largest park in Idaho history requires a bunch of capital that charity alone can't provide. It is a solution that doesn't just protect access, it improves it. In the interest of time we'll talk a little bit about how that is possible. Here's why it improves access. When you manage this area as a park, it reflects how it is used today. Managing this area as a park is outside IDL's mandate. Prioritizing ecology, viewsheds, and even access itself is outside that fiduciary mandate, whenever those goals conflict with financial returns to schools. That's why managing this land as a park would open up IDL's gated roads. These gates prevent careless recreators from harming endowment land values. It also helps draw congestion away from the lake and into the uphill scenery. Managing this as a park also extends Ponderosa up the North Fork meanders. We were even asked how to not just keep the water quality from getting any worse, but to improve it based on today's levels. We found that by moving the dirt road of Eastside Drive uphill, we can actually reduce the sediment and vehicle discharge that contributes to poor lake quality from that area. It also lets us use that flat bed that the dirt road currently sits on to install an enormous area of publicly accessible shoreline. We can ecologically restore that area, provide a bike path similar to the greenbelt, and install picnic benches and other park features. All of that lessens the overwhelming congestion funneled entirely onto North Beach today. That high school friend of mine, the one that McCall feels closed to, he wants to go hike parts of the Crestline Trail with his family but there's no parking anywhere on endowment lands. He's got to park on top of bushes, hop an IDL gate, and hope his kids don't peter out before they even make it to Payette National Forest. It's all because this area is not managed as a park. I get it. Halting any growth serves constituents who already own property there. Growing Ponderosa Park, it serves constituents of the entire state of Idaho. Now, we hope you'll consider forming a task force of stakeholders under the Parks Department to continue this vital park planning work, all while the fiduciary exploration of an exchange continues separately. Our team brings exceptional talent to help make this reality. Our park planners helped design and lay out the plan for the Serengeti National Park, but they've also worked on several projects here in Idaho, including Harris Ranch. When we show people materials like this, park planning visions like this, they get excited about what might become here. When they hear we want to legally commit to it all ahead of time so that trust isn't even an issue, they like that feature even more. Last week's McCall City Council meeting highlighted how all of the uncontrolled camping trash and widespread human defecation that happens on a lot of these lands harms Little Payette Lake and Big Payette Lake's water quality just as much as it harms the value of the endowment lands there. We just assembled an incredible amount of data to help us all try to get this plan right. We flew aircraft overhead to LiDAR images of the forests; we collected feedback from scientists, the tribes, and environmental experts. We studied social media geo tagging to show where people hunt and hike even off trail. The aim of all of this was to protect both key access and key recreational corridors, key wildlife migration corridors, and areas that particularly affect water

quality. It seems that the tracts on Deinhard and behind Pilgrim's Cove are first on the auction block; frankly these offer very little investment value to us and we're extremely open to alternative uses. We want to work with the city on what they want to use these parcels for. For example, we might help them partner with the neighboring University of Idaho's Forestry School; but as another route these parcels do afford one way to help solve what we've heard from the community is an acute need for more modestly priced housing options as well as a community rec center. Modestly priced housing is a must for any tourism economy. Community rec centers have also been gems in the crowns of other mountain towns because they give residents after-school programs and visitors this incredible shared amenity. This proposal only reflects input and community engagement to date; it is a starting point in a very long process. We don't just want the community to have a say, we want them in the driver's seat of this process. The other side of that same coin is the Land Board can finally get out of this painful McCall business. Picking each year what to sell and what to hold is death by a thousand cuts for everyone. In the coming weeks, we'll submit a formal exchange application. We hope you'll prioritize its consideration in order to accomplish these shared goals of preservation, access, and purposeful economic opportunity for this area's future. We're eager to work with the state, the county, and the city on crafting the best plan possible. I think we'll all need to work collectively to get this right. At least, speaking for our side, we're here for the long term to help do that. Signing a \$107 million check to public schools while at the same time cutting the ribbon on the largest park in Idaho history is a way to transform a big hairy problem into an incredible legacy for all Idahoans. Thank you.

**9. Payette Endowment Lands Strategy Update** – *Presented by Ryan Montoya, Bureau Chief-Real Estate Services*

*[Editor's note: Due to duration, the Discussion portion of this item is written in first-person format. This is not a verbatim transcript.]*

**Discussion:**

**Ryan Montoya:** Good morning, Governor and members of the Land Board. My name is Ryan Montoya, Real Estate Services Bureau Chief for the Idaho Department of Lands. At the State Board of Land Commissioners' regular meeting on June 16, 2020, the Department was directed to prepare a plan for the management of endowment lands in the vicinity of the City of McCall. The Department has been preparing a conceptual draft of the Payette Endowment Lands Strategy to present to the Land Board – attached to the memo as Attachment 1 – which I will present here shortly. This strategy is only for informational purposes; the Department is not seeking Land Board action but feedback to further develop the strategy. I would like to thank Department staff and others who have assisted in preparing the strategy. The intention of the strategy is to describe the current situation affecting the endowment lands, explain what that means, identify potential action, and assess the next steps. This strategy does not preclude consideration of previous or new proposals.

Attachment 1 provides a concept of the Payette Endowment Lands Strategy. The concept is a result of internal guidance, historical plans, City of McCall comprehensive planning documents, other state endowment land plans addressing similar issues, as well as Idaho regulations and laws. The Department manages over 180,000 acres of land in the Payette Lakes area office. The majority of the acreage is classified and managed as timberland. Of that, over 5,000 acres sit within the City of McCall's area of impact. Outside of the McCall area of impact, the timberland

value is in line with its ability to produce revenue. These lands are not part of this planning effort, though opportunities may exist to increase revenue over time through improved management, secondary leasing activities, or even exchanges. The planning effort is focused on the endowment lands within the area of impact. In some cases, contiguous lands are likely to be evaluated as the plan is implemented. Within the area of impact, timber management may be more difficult due to conflicts with other uses and esthetics. Some parcels within the area of impact have estimated values that are not proportional to the revenue they can produce under current management. Those parcels could generate more revenue through different uses via leasing or through disposition. There is a need to evaluate the lands within and immediately adjacent to the area of impact to determine whether the lands should be held, moved to different asset classes, managed differently, or disposed of, to ensure management is aligned with the Department's constitutional mandate and Land Board direction. In addition to Article 9, Section 8 of the Idaho Constitution, which requires maximum long-term financial returns, endowment management must be consistent with Prudent Investor Act principles. The Department's mission statement also describes the need for prudent management to maximize revenue and the long-term financial returns. There is also Land Board direction that the Department must implement. The Asset Management Plan and the Statement of Investment Policy provide guidance for the Department regarding management of endowment assets. Both the Statement of Investment Policy and Asset Management Plan provide direction to identify transition lands so that efforts can be made to improve revenue generation from those lands in some manner. High property values and relatively low revenues are indicators of parcels that are transition lands. Timber management on the Payette Lakes Supervisory Area is guided by the Land Board approved Forest Asset Management Plan, or FAMP. The annual timber sale plan is also approved by the Land Board. Management objectives and assigned resources have been adjusted under the FAMP to improve financial performance in this area. Timberlands cannot be sold unless they are transitioned to a different asset class. However, they can be exchanged for other timberlands. Other leasing activities do occur on timberland assets and those activities can be significant additional revenue sources. Management of lands within the area of impact is complex. It requires long-term planning and evaluation which meets IDL's mandate and considers community and market context. The idea of the phased approach is to allow flexibility with a broad strategy. Phase 1: These are properties with high value/low revenue and significant potential for other uses and/or disposition. These properties are ready for action now, or nearly ready. Phase 2: These properties need more extensive analysis or interim actions to position them well for future action such as leasing or disposition. Phase 3: These parcels could be held for a long term by the endowments provided revenue objectives can be achieved. There may be other options such as land exchanges or new revenue sources for the Land Board to consider over time. This phase is the vast majority of the land within the area of impact.

Phase 1 properties are ready for some action. The goal of these properties is to transition them into producing revenue commensurate with their activity. This will be to close the financial gap between value and revenue. The Department will seek revenue-producing activities in these lands. The Land Board will have options to consider for these parcels, including leasing, exchange, and disposition. These are not going to be just taken to the auction block. This is a relatively small group of parcels where higher and better uses are likely available and where surrounding uses, that include having utilities and zoning, may suggest a different use than currently managed. White Pine Heights and Lick Creek are examples of Phase 1 properties. There are approximately 85 acres suitable for residential development or higher value leasing

opportunities. These properties sit adjacent to the City of McCall boundary, have utilities traversing the properties, and have full access. They are also zoned residential by the City of McCall. The Department could move quickly to analyze the options and bring a recommendation before the Land Board, including leasing opportunities. The Deinhard 80 property is another example of a Phase 1 property. There is potential for commercial and residential uses. It is actually identified in the City of McCall's comprehensive plan as the "State 80 concept." This parcel currently produces minimal revenue but has significant opportunities to increase revenue generation.

Phase 2 is a mid-term plan; 5-10 years is the estimated timeline. These are properties that are likely to meet the criteria for transition lands but may require additional planning, analysis, or action to find the optimal solution. One distinction between Phase 1 and Phase 2 properties is the potential question of use. Some of these properties are not within the areas of growth, or hold other value. There may be opportunities to add value with relatively minimal effort, for example, changes to zoning or platting. The Department sees an opportunity for facilitated discussions pertaining to Phase 2 lands. In Phase 2, it will be important to work with stakeholders and cooperators – of course staying within our mandate and maintaining the Land Board's authority – to find opportunities to enhance revenue while meeting some of the other demands of endowment lands in the area. The Department will seek ideas and applications for other uses of these lands. This parcel, known by the Department as Parcel G, is an example of a Phase 2 property. Again, this is a property that we consider having longer term, not Phase 1. It is full of opportunities and yet there are a number of challenges. Thorough analysis and planning for high value parcels like this is critical to achieving the Department's objectives under the guidance of the Land Board.

Phase 3 properties represent most of the land within and immediately adjacent to the area of impact – a lot of the north Payette Lakes lands. These lands could be held for a long term by the endowments, although increasing revenue over time will be important. The Land Board could have periodic decision points – 10-year intervals, for example – to determine if the strategy aligns with Land Board objectives. These lands present the opportunity to work with stakeholders to address issues, find opportunities, and develop solutions within the framework of the endowment land mandate and the authority of the Land Board. The Department sees opportunity for facilitated discussions with stakeholders pertaining to Phase 3 lands.

Implementation would be ongoing and concurrent across the three phases, subject to Department staffing and workload, as well as Land Board direction. It would not be sequential; there are things that can be done in each phase beginning early and continuing over time. Throughout the phases, the Department would expect to use expert consultants to provide analysis and recommendations or to validate the Department's work. The Land Board will have opportunities for decisions regarding the changes in use, changes in asset classes, and potential dispositions or any other activities that occur on those lands. Phase 1 is clearly a high priority; get those properties into action immediately. Phases 2 and 3 get started as soon as possible and continue for a longer time. The Department will work to provide the Land Board with recommendations to address the asset value and revenue gap in the short term and long term. Addressing the high priority Phase 1 properties early will enable further analysis and additional stakeholder engagement during the other phases. Where financial gaps can be closed, the endowments will be in a better position to hold the lands for the long term. The Department

plans to bring a draft of the written strategy to the December [2020] Land Board meeting. Stakeholder engagement and public involvement can begin and continue after the draft strategy is presented. We will also open up receipt of comments now after this meeting as well. The Department will seek Land Board approval in February or March of 2021, after we've received open comment. At that time, the Department would seek approval to resume leasing of any type.

## **Public Comment**

*[Editor's note: Due to duration, the Public Comment portion of this agenda, and Questions following, are written in first-person format. This is not a verbatim transcript. All public comment was provided via Zoom webinar.]*

**Craig Utter:** Good morning, Governor and members of the Land Board. My name is Craig Utter, executive director of the Payette Land Trust [PLT]. Thank you for allowing public comment on this important issue. Located in McCall, PLT serves Adams, Idaho, Washington, and Valley counties. We've been working to balance conservation and development for over 25 years. In issues concerning endowment lands around Payette Lake, we have been slow and deliberate in constructing our position, always keeping the land at heart. Here are some quick stats about the lake which help frame our decisions. There's 22 miles of shoreline, 6 within Ponderosa State Park, and 16 along the outer shore. If you subtract the current privately-owned and developed shoreline and three stretches of road adjacent to the shore, we're down to 0.87 miles. That's 5.4% of the shoreline left. Of that 0.87 miles, there are two sections remaining: 0.56 commonly known as the wedding site or parcel G, and 0.31 on the east side just north of an existing private property. Sadly, these two areas constitute the last of the undisturbed public shoreline. PLT believes, in its current state, that the lake is out of balance. Any further development which is above a minimal impact will be detrimental. Simply put, the lake has done its fair share for the economic return of the area. Give the lake a break. We believe the remaining open space holds a higher value than development. We viewed both proposals through the lens of our Payette River Basin Initiative which defines an area of one-half mile around the lake as critical. Neither proposal elevated conservation of this resource within the zone; because of this PLT chose not to support either draft as presented. Under the current Trident plan the entirety of the lake's outer perimeter would have some form of development. The IDL strategy is not clear what the plan is for reclassifications of transitional lands, and we understand that this could lead to future development. Until it is clarified, we cannot support that draft either. This places both proposals in conflict with PLT's Payette River Basin Initiative. PLT is a solution-based organization and we believe there's a conservation option. As mentioned in the IDL presentation, easements could be that option. Uniqueness of a conservation easement allows for the harvesting of development and value from the land without compromising ecological integrity. With this in mind, PLT will propose working with the State Land Board to develop protocols for conservation easements on endowment land. In an area such as a lake, development does not have to be the only option for generating the required revenue set forth to the mission of the trust. Given a chance to purchase a conservation easement, PLT believes the environmental, recreational, outdoor, and tourism communities along with the general public can and will come together to convert our values into the monetary requirement necessary to meet the fiduciary duty of the Board. Thank you for allowing me this time to speak.

**Darby Webb:** Good morning, Governor Little and members of the Land Board. Thank you for allowing me to comment today. My name is Dr. Darby Webb and I am representing Payette Endowment Lands Alliance, otherwise known as PELA. Today I would like to comment on agenda items 8 and 9. Addressing item 8 – we have reviewed Trident Holdings latest proposal and remain firmly opposed to it for these reasons: number one, it represents a drastic break from how these lands have been managed since statehood. Number two, it is not reasonable or economically prudent to put control of such a large portion of the McCall area into the hands of one private and profit-seeking entity. Number three, it ignores the substantial work done by the McCall City Council, Valley County Commissioners, and the public that resulted in the 2018 McCall Area Comprehensive Plan. This plan should serve as primary guide for development and preservation. Addressing item 9 – PELA supports IDL's value of stewardship, as described on your website as, "making decisions and taking actions that positively affect long-term financial returns to the trust beneficiaries and enhance the health and resilience of Idaho's natural resources." Ecologic considerations are paramount. IDL and the Land Board have a public trust obligation for the endowment lands. The State also holds all waters, including Payette Lake, in trust for benefit of the public. Both must be considered. PELA advocates that the undeveloped lands around Payette Lake should be held in perpetuity as a living buffer for the lake. We agree with IDL's plan to take a disciplined and multi-phased approach while examining other opportunities to increase revenue. We have serious concerns about development in some areas, especially parcel G, due to the immediate and long-term damage to the lake. We also have concerns about the accounting from sales in the area where proceeds go directly to the Land Bank and are not included in revenue for the area. In closing, we advocate for the Land Board to reject the false allure of any proposals that appear to offer a quick fix. This is critical and decisions must not be rushed. PELA also asks the Land Board to continue to seek input and collaborate with local citizens, stakeholders, the City of McCall, and Valley County to identify and develop an acceptable plan for all parties. We applaud the Land Board for the current moratorium and respectfully request an extension of the moratorium for 12 additional months to give sufficient time to develop an excellent management plan. Thank you once again for allowing us to speak today.

**Jonathan Oppenheimer:** Thank you, Governor and members of the Land Board. For the record, my name is Jonathan Oppenheimer and I serve as the external relations director for the Idaho Conservation League. As I've testified before the Land Board previously, the Idaho Conservation League has worked since 1973 to protect the air you breathe, the water you drink, and the lands you love, and that includes many of the lands surrounding McCall and Payette Lake within Valley County and the region. First, I do want to appreciate the public comment opportunities that IDL and the Land Board have provided for this and the vision for continuing to involve Valley County, McCall, stakeholders in the region, as well as stakeholders around the state who hold this place near and dear to their hearts. We at the Idaho Conservation League, on behalf of our members and supporters, do strongly support an extension of the existing moratorium on any new leases or exchanges within the McCall City impact area. As we consider these issues we do recognize and certainly appreciate the constitutional situation that the State and the Land Board are in with regards to maximizing revenue, but also want to point out that both the constitution and the statutory direction give Land Board discretion to consider the best interest of the state and that includes things like watershed protection, that includes considering when and how to move forward with any potential exchanges, and again requires consideration of best interests. We would point out in particular that Article 9, Section 8 of the constitution does provide specific direction to the legislature to have the power to authorize the Land Board to exchange granted or acquired lands. We think this

is a very important element and something that deserves closer scrutiny especially in light of some of the statutory direction in state law that provides for consideration of the state's best interests and consideration of values for forestry, watershed protection, and recreation. That is in [Idaho Code] sections 58-138 and 58-132. We do feel that there is time needed to coordinate with stakeholders to identify alternatives to meet constitutional duty, address local concerns, and protect the public interests. As a result, we again encourage the Land Board to consider extending, for at least a period of 6 months, the moratorium to allow further discussion. We do also recognize and look forward to working with the Idaho Department of Lands on the land assessment as that moves forward. I appreciate the opportunity for public comment, and we do have some feedback that we plan to provide in written form. Again, we appreciate the opportunity and thank you for your consideration of these important issues.

**Brian Brooks:** Good morning, Governor and members of the Land Board, thanks for the opportunity to provide comments; I will return the favor by being brief. My name is Brian Brooks; I am the executive director of the Idaho Wildlife Federation, a coalition of 29 sportsmen and wildlife conservation organizations representing 45,000 affiliate members and individual supporters across the state. I'll preface my comments by recognizing that this conversation of what to do with the endowment lands near McCall, though dating back several years and again revived by Trident, has energized Valley County residents and Idahoans across the state. Since I've worked for the Federation in the last five years, no other land issue has mobilized so many people to take action like this one. Frankly, the response was surprising. We've had responses from over 7,000 people; we can't really keep up with it. We decided we would not comment on Trident's proposal specifically. The public comment published online, and the folks I am sure you've all heard from and will continue to hear from, have been thorough already. The proposal presents claims that present more questions but the real kicker for us is that we just heard that this is a community-driven collaborative effort; that's music to our ears until we read Trident's scenario 4 which threatens to sue if they don't get their way. True collaboration does not begin with one party placing a loaded gun on the table. We will focus on IDL's plan. We understand the language of the constitution, but we also know that it does not mandate massive land exchange or sale of its parcels. There is a way, there is always a way, to take our time and figure out a long-term solution that works for IDL's obligations and the true benefit of Idahoans who cherish this landscape and the things it provides. We're encouraged by IDL's favoring public involvement and stakeholder contribution for these purposes. We appreciate that IDL's plan is drastically different than Trident's proposal, but we can still see it leaving the door open down the road for major changes to these lands close to the lake. Again, we are encouraged by IDL's approach to be creative about solutions and we must consider where we are now. I was told by a colleague that it is quite sobering to draw lines on a map of this area to see what we have left to lose. There simply isn't that much left in the valley. I remember fishing in Gold Fork years ago; big trout in some pools up there. It's now fenced and there's barbed wire strung across the water. My first elk hunting days were above the Cabarton on Boise Cascade lands...no more hunting there. I used to live down Lick Creek Road; I've spent afternoons rambling up the hill with a shotgun looking for grouse and that's threatened too. My point is, depending on the decisions made by the Land Board and IDL, the fate of this landscape and the ability of Idahoans to enjoy it will change forever and irreversibly. We have a high potential to lose, but in the shadow of such a burden, there's also an opportunity to do it right. Considering the weights of this and how clearly important this place is to the character of Idaho, we support the request from the City of McCall and Valley County to extend the moratorium



for at least a 6-month period on new leases, auctions, or exchanges of any parcels to allow stakeholders and local governments to consider the economic, social, and ecologic impacts to the area. That's it for me; thank you.

**Robert Looper:** Good morning, Governor, members, commissioners, my name is Bob Looper; I am president and CEO of Brundage Mountain Resort. I am also president of the Pilgrim Cove Homeowner's Association. I've been working with Kristin Hoff Sinclair on pulling together a coalition of over 100 homeowners around or centrally located to the Pilgrim Cove area around the lake that are directly affected by the proposals that we see here today. First and foremost, I want to tell you that we are here to support the IDL efforts to meet the constitutional requirements regarding endowment lands while we conserve and protect those same lands for current and future generations. Secondly, we are here to oppose proposals such as what Trident has put forward which would swap out the Land Board and staff as members and managers of our future around here in McCall for a private entity and taking control of such a large property. We all know that the area around the lake here is very special and I would like to tell you it's because Brundage Mountain is there and it's a great ski resort, but we all know it's the crown jewel of Idaho which is Payette Lake; it is near and dear to our hearts. We do support the Payette River Basin Initiative and how that initiative would look to conserve properties around the lake, and we think that should be foremost and center to the consideration of IDL. There are some great things in the proposal from the State and staff here that we want to recognize. It's been 28 years since the last proposal that we've seen in 1992 from the State regarding the comprehensive land use plan. I would like to read to you a couple of things from that plan because they're very consistent with what the staff and Ryan has reported today. "The land use plan will provide a guide for the future development and use of approximately 32,000 acres of state endowment lands near McCall and Payette Lake. These lands are managed by the Department as authorized by the Land Board." I think that needs to be centric in any strategy going forward. I believe that's what you proposed. This was back 28 years ago in 1992. That was followed up by a process by which that plan was a dynamic plan; it would be reviewed and modified on a periodic basis to reflect change in thinking, change in plans, change in what's going on. As part of that plan, it was told that the needs and concerns of other agencies, the community of McCall, Valley County, and the citizens of the state of Idaho would be sought and considered before adoption of this plan. With that I leave you with three things we'd like you to consider. One is to reject the Trident proposal. Two, we would like to provide staff adequate time to develop a comprehensive land use plan with stakeholders' input from the community. Three, we would like you to explore what other states have done in the change of development; there's been a paradigm shift in modifying the constitution as it regards the state land and their directive. Thank you.

**Sky Wilson:** Good morning, Governor and members of the Board. My name is Sky Wilson and I am a 24-year-old owner of Ya-Hoo Corrals in McCall, Idaho. Ya-Hoo is a horseback trail riding operation located on endowment leased land in McCall. It has been located at the same location for over 30 years. While this is my second year of ownership, I have worked here for eight. The corrals have been a staple attraction that continues to steadily increase with visitors each year. Trail systems and bridges in this area utilized for biking, hiking, and horseback riding are maintained by Ya-Hoo and are irreplaceable. Recreational land like these are large job and revenue producers when looking at the long-term financial return. This is found in the July 2011 endowment land trust study done by Peter R. Crabtree, Ph.D. From the executive summary I quote, "As of the end of Fiscal Year 2010 it is estimated that Idaho endowment trust lands contributed \$133 million in annual economic activity

and supported nearly 2,000 jobs in the state of Idaho." The above contribution estimates over the direct, indirect, and deduced expenditures from all of these activities using county, multi-county, and state level data. I can take a look at the state constitution, Article 9, Section 8, line 4, it says that endowment lands shall secure the maximum long-term financial return. To me, securing the maximum long-term financial return is much different than what Attorney General Wasden was quoted for July 23rd in the Star News having said managing state lands to earn the most money possible. These lands, approximately 1,000 acres, that are needed to operate the corrals surrounding current homes will continue to drive up property value and taxes therefore bringing more money to the State as to fund its fiduciary responsibility. Speaking with the local timber sales administrator, I learned that an approximate 1,000 acres, dependent upon timber volume, will bring an estimated \$1.8 million to the State in timber sales. This is based on 50-year timberland rotation where logging would still be needed to maintain fire suppression leading up to Warren Wagon as a fuel break between lands and houses. In 2020, Ya-Hoo will have paid \$5,421 for base rent and gross receipts as well as \$8,300 in sales tax to the State in just a 3-month period. Taking a total of these two, \$13,760 and multiplying by 50 years brings to a total of \$688,000 paid to the State. In addition to the corrals, with this land being logged over that 50 years, revenue between the two comes to \$2.48 million. As timber sales and our numbers increase land properties values, they are all going to increase as well. Losing portions of endowment lands from around Payette Lake would be devastating monetarily to my livelihood and thousands of visitors to the area each year. What will happen to such a uniquely located business, with high value and high-volume operating tourism, and what will happen to me? Where will I go? What will happen to another viable small business in the already hard times in this great state of Idaho? Thank you for your time.

**Jeff Abrams:** Hello everyone, my name is Jeff Abrams; I am here representing the Idaho chapter of Backcountry Hunters and Anglers. I live in McCall. Public lands access has emerged as a priority issue for American hunters and anglers, big time, including those here in Idaho. BHA's membership believes that these endowment areas represent some of the best public recreation opportunities in our state. Thanks to IDL which has spent considerable time on this draft document, but it is not yet a finished product. We agree with the county commissioners, P & Z, and the City of McCall, and other citizen groups about the need to extend the moratorium allowing for full and detailed strategic documents and for all stakeholders to provide informed comments. It's far too premature to begin accepting applications from prospective suitors. Among the items BHA would encourage IDL to detail would be specific lands within each of these three phases of the plan; how do these lands physically relate to adjacent Payette forest lands and other public amenities, and access points for hunting and fishing. We encourage you to please use the guidance from the 2018 Forest Asset Management Plan to evaluate outside divestiture proposals, particularly in light of today's comments from the Governor on asset valuations. Another item would be to examine whether this strategic plan comports with local comp plans. We believe that the public's collective vision for much of these lands was not residential in nature. Finally, we're encouraging you to allow the emerging collaborative process with citizen organizations, the city, and Valley County officials to continue to work. Let us make suggestions that how better fulfill the Land Board's public trust obligations while at the same time ensuring maximum long-term yields. BHA looks forward to being involved and identifying possible funding opportunities, such as land and water conservation fund, or local levies such as those implemented in Boise and Blaine counties. The lineage of how the State assumed control of these endowments is different, but the case of Trident is really a prime example of why our members are committed to federal public lands being managed by federal agencies and oppose any transfer of

these resources into State holdings. The mountainside of evidence shows huge amount of interest from ordinary Idaho residents that love to recreate on state lands that ring this McCall area. This process should be reflective of that. These areas were not intended to be dumped into a database destined for a national listing service for big dollar investors from California and New York. Thank you for hearing the concerns of BHA's membership and for recognizing the impact of these decisions before the Land Board today.

**Nick Harris:** Governor Little and members of the Board, thank you for your time. My name is Nick Harris; my family has owned Burgdorf Hot Springs for nearly 100 years, and we understand stewardship. I have over 25 years of financial experience including 20 years on Wall Street. I also understand economics. Trident's claim is that the proposed land swap would improve the operating income of the land trust by \$2.5 million per year. A highly contentious claim, in fact I received data last night that indicates it could be a fraction of that number, but let's assume it's true. Nearly 50 pages of the proposal is a confusing series of arguments and calculations which ultimately allege the land swapped is worth \$107.3 million. That is more than two times the market value of timberland of similar acreage to the McCall parcel. They partially derived this value using a mathematical formula and the alleged \$2.5 million of annual income. They also claim additional benefit to the trust because future profits can be invested in stocks to potentially make even more money. In reality, the mid-point value for timberland is \$1,500 an acre. If Trident were to swap 30,000 acres of timberland, that swapped asset would be worth \$45 million, not \$107 million. That's like somebody trying to convince you to take \$500,000 for a house that's worth \$1 million by claiming that the \$500,000 is better because you can invest it and it will eventually make more than \$1 million. That's not a fair offer, nor a wise business decision for your household. You're better off taking the million. Monetary value of the land is worth what people will pay for it, period. If Trident sticks to their word, they would make roughly 91% of the 28,000 acres a park for public access; leaving 9% for them to develop. That's over 2,500 acres of highly valued development land. For \$45 million they would receive what looks to be 5,000 linear feet of immediately marketable lakefront property. The mid-point value on that alone is over \$80 million; that's enough to cover the cost of acquiring the swapped land, and a fair portion of the overall project cost. They would also acquire 2,500 other acres of prime development property with amazing views of Payette Lake and Lick Creek, all just a lift ride away from Brundage. Conservatively assuming \$400,000 per acre after development costs, that's \$1 billion worth of real estate – \$1.1 billion of real estate swapped for \$45 million worth of potential timberland. That's what it boils down to. Allegedly to improve our annual public school budget by less than 0.1%; that's not a good economic outcome from our citizens, not to mention the additional environmental stress on the lake. That's not the best deal for Idaho, our schools, Payette Lake, or the City of McCall, but it sounds like a great deal for Trident. \$1.1 billion of real estate swapped for \$45 million worth of potential timberland. That's not an investment decision a prudent investor would favor either. It's clear that a thoughtful, more favorable outcome for the land trust and the state of Idaho is highly achievable without Trident. We can do better than that. Thank you for your time.

**Tyler Harris:** Thank you. The Land Board has a difficult job. Entrusted with the care of some 2.5 million acres of Idaho public land, you all are tasked with maximizing the long-term financial returns for the trust beneficiaries. Flushing out the bones of this charge is the challenge, one exacerbated when conspiring parties attempt to syphon prime real estate out of the hands of Idahoans using a weaponized constitutional charge under the cover of a pandemic. The value of the

lands in question is clear and is subjective in the esthetic sense. Pristine marshes along the Payette Lake inlet, hillsides abutting the back of Brundage Mountain, with stunning views of the Lick Creek Mountains, and wooded shores of Little Payette Lake. The inlet in particular is a unique ecological zone home to moose, bald eagles, waterfowl, and bears in some of the densest concentration in the region. Any development in this area would irrevocably alter the fragile balance allowing these magnificent creatures to share space and resources with an increasing number of recreationalists, all just a few miles from McCall city limits. It is precisely this unique proximity to an outdoor town reliant on tourism that makes this tract so priceless. In fact, given its recreational importance, one could argue it meets criteria set forth in Idaho Code [section] 58-133 which states all state-owned lands classified as chiefly valuable for forest, reforestation, recreation, and watershed protection are reserved from sale and set aside as state forests. Many businesses stand to lose a great deal with any reduction in public access to this area and we've already heard from one. Despite claims to the contrary by Trident, once approved any promises of undeveloped public access areas are voluntary and unenforceable. The value of the lands in an objective, financial sense is somewhat less clear. However, my brother from whom we just heard, has conservatively estimated the portions along the shores of Payette Lake earmarked for development at more than \$1 billion at current real estate prices; this is just scratching the surface. From a purely transactional perspective, it would take an incredible amount of timberland to make this deal even remotely fair. But from the standpoint of a fourth generation McCall resident who has played in these woods his entire life, no amount of timberland can replace the territory at risk in this proposal. Maximizing the long-term financial return of this land requires its preservation. The true worth, especially as Idaho continues to grow, lies in ongoing enjoyment of accessible but wild parcels such as this. I encourage the Board to consider their obligation broadly, not simply in annual contributions to the funds, but rather in truly maximizing the long-term return for the state of Idaho. We can develop ways of monetizing public recreation if needed; we can sell land to the state or conservation groups, much more reliable partners if the aim is creation of a park. But once the land is gone there is no going back. Thank you for your time.

**Dave Bingaman:** Good morning, Mr. Governor and members of the Idaho Land Board; thank you for the opportunity to speak to you today. For the record, my name is Dave Bingaman, Valley County Commissioner. The Valley County Commissioners and the City of McCall City Council held a special joint meeting on November 10th to discuss the endowment lands in the McCall area prior to today's meeting. We understood that IDL would present their structure for the McCall area management plan and Trident Holdings would also give a presentation on their PreserveMcCall proposal. As local governments, we thought it was important to present our initial thoughts to the Land Board as they pertain to the future of the IDL endowment lands that are literally in our backyard. Payette Lake and the surrounding lands are as we've heard the crown jewel of the McCall area for many reasons. The area plays an important economic and environmental role for our jurisdictions. Recreational access and good land management is key and critical to the economy of our area. The city and county work together on the land use process to ensure high quality of life for its citizens, second homeowners, and visitors. Similarly, our planning also considers the importance of environmental protection of these precious resources. This area is the headwaters for the Payette River Watershed and the drinking water for the McCall community. The county and the city understand the purpose of endowment lands and the constitutional mandates associated with these lands. However, the decisions made on IDL lands will have significant impacts to our area. It is also known to be a very controversial topic based on the community feedback, with over 500 comments generated to the Land Board, Valley County, and the City of McCall during the last few months. As demonstrated by these

comments and comments submitted for today's meeting, when looking at a new management direction there is much to be concerned about. We only have one chance to do this right and once a decision is made, there is no going back. With this in mind, we are asking the Land Board to carefully consider this issue with input from our local governments. Therefore, we respectfully request the Land Board not make any decisions in the near future and extend the moratorium on new leases, auctions, and exchanges of any parcels for a period of at least 6 months. This time would allow us to review the McCall area management plan and other proposals thoroughly, evaluate all of the options, work with key stakeholders, and IDL could directly engage with our jurisdictions. We believe in a collaborative relationship between the City of McCall, Valley County, and the Idaho Department of Lands to hopefully meet the goals of IDL and the nearby communities. We appreciate your consideration for our request for an extension of the moratorium and a final decision on endowment lands around Payette Lake. We look forward to being a partner and working with you on thoughtful solutions that will continue to benefit our communities and future generations of Idahoans. Thank you.

For the record, Governor Little noted that Mr. Darren Howard had signed up to provide comment but exited the webinar prior to his turn to speak. Governor Little offered his sincere appreciation to everyone who provided comments for staying on schedule. The Governor opened the floor to questions from Land Board members.

## Questions

**Controller Woolf:** Mr. Bingaman, are you representing yourself or all three county commissioners in your comments today?

**Dave Bingaman:** My comments were generated by the City Council and the Board of Commissioners; I was chosen to represent our comments today.

**Controller Woolf:** Thank you.

**Governor Little:** I've got a couple of comments or questions. As we saw the proposal from the State – I think I stated very early this is a big hairy piece of ground and we heard about that. I think one of the things we ought to talk about and ask the Department to come back to the Board with, is the pros and cons of the phased approach piecemeal versus if we do a larger one comprehensively. If something is done with the parcels that are close to the lake or Warren Wagon road, does that preclude another use going forward? I think that ought to be one of the things that I'd ask the Department to do. For the Board, and for the people on the call, we heard great passionate testimony about the uniqueness of this, but if you live in the Teton Basin, or in the Wood River Valley, or Priest Lake, or in Boise with the Boise foothills...and I readily admit I am biased to McCall because of, like the Williams family, my long affiliation, but anything that the Board and the Department does on this parcel, we need to think about what the ramifications are in that policy on the entirety of the portfolio that myself and my four fellow Land Board members have in that aspect. I have a question for Mr. Montoya, and maybe for the Board, about Phase 1. When I became a member of this august body – General Wasden can maybe help me with this – the Board had taken a policy that some of our commercial development and cabin sites were perhaps not in the best interest of the Board, and we got out of commercial real estate adjacent to the office in Boise and out of cabin sites at Priest Lake and McCall. Now that proposal looks like we're getting back into it. Why is the proposal in Phase 1 different than what we did to divest of commercial property and cabin sites?

**Ryan Montoya:** Thank you, Governor and members of the Land Board. We are currently working through the 2024 VAFO or cottage site disposition plan. Our intentions aren't to get back into the residential leasing business and we're not proposing that as part of the proposal today. Really what we're looking at is identifying that there are some of these areas within the McCall comprehensive plan that are identified as residential. Ultimately those are being identified as having a higher and better use as residential rather than having timberland value alone. When we are looking at the plan, we are identifying and bringing it forward to the Land Board to think about: there is residential in nature property that is within the path of growth. We're looking at that and asking ourselves what does that mean for us in order to produce revenue. We have gone through and identified certain parcels that look like they are potentially in a position for some sort of activity. That's what we're looking at working through further, is how do those specific properties look in one, two, three, four, five years from now depending on which phase they are in. If we're looking at some different activities that commercial and residential – we're talking about potentials for Deinhard for example, where we could see some commercial ground leasing. We're not advocating for having a building, but we're advocating for leasing the ground for commercial purposes. We're looking at those properties as having a value and use that is potentially residential or commercial based on the current zoning. However, all the lands that we have are open for lease. If someone wants to bring forward a lease for recreation, or as Alec was saying for park purposes, and they have the funding, they can do that. If they want some of those areas to be preserved as a lease for a park or some other commercial recreation purposes, we'll entertain those as well. We're trying to be flexible with the plan but identifying certain properties within the path of growth and identifying those as the Phase 1 properties. Governor, did that answer your question?

**Governor Little:** Yes, it did, but it kind of looks and walks like a duck if we're leasing it versus just selling it like we did. When the Board – and the Attorney General can correct me if I'm wrong – when the Board made the decision to get out of commercial real estate in the Boise area, and the cabin sites, it wasn't that we were going to continue to lease it, it was flat we're going to dispose of it. That's my question; being a landlord depends upon what degree of ownership we have of it versus just flat disposal.

**Attorney General Wasden:** Governor, that's a fairly complex question you're posing. It really requires kind of a historical viewpoint of why the Board made the decisions that it did, probably more than we have time for right now. You and I can have that conversation; we can have that conversation with the whole Board. In basic form is that with regard to the cottage sites, this Board proved over the course of about a century that it was incapable and unwilling to fulfill its fiduciary duty. That's the reason why as a prudent investor we divested ourselves of those properties, because we were not willing to fulfill our responsibilities. With regard to the commercial properties, actually in large measure, the same thing. We were unwilling to fulfill our fiduciary responsibility; that's the bottom line. That isn't the basis upon which we should be making those decisions; we should make that decision based upon our willingness to fulfill that constitutional duty. I am glad to have that conversation with you.

**Governor Little:** Next month we will see something else with this proposal, and that ought to be one of the questions: generally, where is the line? And of course the Board has to reclassify assets, we have to look at each one specifically, but maybe the Department could work with the staff to do a little history about where that line is.

**Controller Woolf:** I want to thank all of those that participated: members from Trident, from our Department of Lands, all of our public stakeholders that commented and bringing their points and values. It helps us as Land Board members as we go forward and work with the Department in making those decisions; we appreciate your feedback and your comments today.

**Dustin Miller:** I want to echo that. I appreciate the discussion today on these two informational agenda items. In particular, being the Director of the Department I want to let Ryan know that we appreciate his efforts of the real estate bureau and leasing bureau to work through this complicated issue for us and develop the strategy. I appreciate his efforts and the work put into this by him in so many others in real estate as well as our trust lands division.

**Attorney General Wasden:** First I want to give compliments where compliments are due. I appreciate the Department's work in presenting a plan. I also thank all of the participants, Trident, and the ten others who have provided input; it is very valuable to us. I also wanted to compliment the Department on the context of this Zoom meeting. Well done; it's worked well. You have done a great job in making this come off basically without a hitch.

**Executive Session**

None

There being no further business before the Land Board, at 11:19 a.m. a motion to adjourn was made by Attorney General Wasden. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

Idaho State Board of Land Commissioners

*/s/ Brad Little*

Brad Little  
President, State Board of Land Commissioners and  
Governor of the State of Idaho

*/s/ Lawrence E. Denney*

Lawrence E. Denney  
Secretary of State

*/s/ Dustin T. Miller*

Dustin T. Miller  
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the December 15, 2020 regular Land Board meeting.