



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

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
March 16, 2021

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, March 16, 2021 at the Boise City Council Chambers, Boise City Hall, 3rd Floor, 150 N. Capitol Blvd., Boise, Idaho, and via webinar. The meeting began at 9:02 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 3 Stay Healthy Order, dated 2/2/2021, allowed for gatherings, including public meetings, of 50 persons or less in physical attendance. Governor Little and Controller Woolf were present at the physical meeting location with Secretary of State Denney, Attorney General Wasden and Superintendent Ybarra joining via Zoom webinar.

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

Trust Land Revenue

- A. Timber Sales – February 2021
- B. Leases and Permits – February 2021

Discussion: None.

Status Updates

- C. Legislative Update

Discussion: None.

2. Endowment Fund Investment Board Report – Presented by Chris Anton, EFIB Manager of Investments

- A. Manager's Report
- B. Investment Report

Discussion: Mr. Anton stated the Endowment Fund had a solid month. During February, the fund was up 2.3% for the month and up 20.4% fiscal-year-to-date. Through the close of the markets yesterday [March 15], the fund was up 23.2%; strong markets continue. Mr. Anton remarked that in February COVID 19 infections rates receded, vaccination campaigns accelerated, and the Johnson and Johnson vaccine was approved for emergency use. In President Biden's State of the Union address last week, President Biden indicated that all Americans would be eligible to start receiving the vaccine in May; the acceleration of the vaccine distribution has really created optimism about the economy going forward and the recovery. Mr. Anton said the question that investors seem to be grappling with is what impact the economic recovery will have on inflation. Federal Reserve Chairman Jerome Powell has argued that the U.S. is on a path to reflate the economy at a healthy annual rate of around 2%. Chairman Powell's focus is to bring back full employment and he has expressed a willingness to let inflation run a little above the 2% target. Chairman Powell believes that minimal increase above 2% would be transitory and that inflation would remain around 2%. Others, however, are concerned that the combination of another round of stimulus – the \$1.9 trillion plan that was recently approved – with the increased savings rate during the period of COVID 19, could result in an acceleration of inflation in the months ahead. Mr. Anton commented if that happens, the Federal Reserve could be forced to increase short-term interest rates, which could hurt growth and technology stocks. Interest rates have ticked up in recent months. About a year ago, the yield on the 10-year treasury was 0.5%; yesterday it was 1.6%. Interest rates began to move up over these inflation concerns which made it tough to make much money in fixed income. Overall, it has been a great period for the fund. Mr. Anton called attention to the summary of current earnings reserves. All of the endowments are above target reserve levels, extremely healthy at this point. Mr. Anton noted that at its last meeting, the Investment Board elected Tom Wilford as Chairman, based on the Governor's recommendation. The next Investment Board meeting is set for May 18th.

Consent—Action Item(s)

3. Timber License Plate Fund – Presented by Dustin Miller, Director, and Jennifer Okerlund, Idaho Forest Products Commission

Discussion: Adding to the memo, Ms. Okerlund mentioned that sales of timber plates have increased, which is good, and lends to sustainability of the fund.

Recommendation: Direct the Department to proceed with the recommended educational projects developed jointly with the Idaho Forest Products Commission.

4. Approval of Draft Minutes – February 16, 2021 Regular Meeting (Boise)

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

Regular—Action Item(s)

5. **Approval to Dispose of Agricultural College Endowment Land (Caldwell Area Property Assemblage)** – Presented by Josh Purkiss, Program Manager-Real Estate, and Kent Nelson, Special Associate General Counsel, University of Idaho

Recommendation: Direct the Department to offer the Caldwell Area Property Assemblage for sale at auction in Ada or Canyon County upon confirmation of the University of Idaho's relinquishment of the 1947 easement.

Discussion: Governor Little remarked that he read the easement and it is specific; apparently that is how easements were written in 1947. Governor Little stated the purpose of the easement is gone and no more time needs to be spent on it; the Board of Regents should be asked to release the easement. Controller Woolf noted in his background reading on this item there is a tie back to the Morrill Act and what the funds of this sale can and would be used for. Controller Woolf said his understanding is the University has future ideas and thoughts with the CAFE [Center for Agriculture, Food and the Environment] in the Magic Valley, and asked if that is all cleared or a future determination still. Mr. Purkiss replied there are a number of ongoing legal questions in regard to reinvestment of the proceeds from the sale; legal counsel from the Department and the University are working together to resolve those. At the current time, that does not need answered. The funds will go into the Land Bank with five years to reinvest.

Governor Little offered a bit of history with this piece of ground; he proposed this in 2001 or 2002, before CAFE was a glimmer in the eye of the University of Idaho. Governor Little and then Senator Craig worked on the Morrill Act to better define it. The Morrill Act is specific: if it is a research facility for a research facility, there is no harm, no foul. Governor Little asked if there is a disagreement between Department and University attorneys with that exchange of Morrill Act property – research property for research property? Mr. Purkiss said he is not aware of a disagreement; the attorneys need to come together and work through some of the issues with the funding. Governor Little restated his investigation showed that if you sell a piece of research property and build a student union building, that was where people got slapped down for using Morrill Act property. But if it is research for research, if anybody disagrees that is a no-brainer, he would like to know. Mr. Purkiss again noted there are just ongoing questions to be answered. Governor Little added that Clive [Strong] did extensive work on this back in the old days and the Governor thought it was all cleared up. Governor Little mentioned there is an issue of timeliness and asked if the University has an option on some ground down in Rupert. Mr. Purkiss replied that is correct. Governor Little remarked the window of opportunity was missed in 2003 or 2004 to sell this property when it had a high value; it went way down, now it has gone way back up. Governor Little inquired when was the last time the appraisal was updated. Mr. Purkiss answered the effective date of the appraisal was December 1, 2020. Governor Little mentioned he is aware of some cash offers at that appraised price. Mr. Purkiss said that will be good for the public auction.

Controller Woolf asked if Mr. Nelson had any comments. Mr. Nelson stated the University completely supports the sale of this property at this time. This is a market decision that is in the best interest of the endowment; it is in the best interest of the endowment beneficiary – the University. Mr. Nelson indicated the University is still in discussions with the Attorney General's staff on the specifics for how those proceeds can be applied and what benefit the University can

gather from them in association with the CAFE project. The University does have an option on property adjacent to the current property that has been acquired for the CAFE dairy and is seeking approval to commence bidding on construction at the upcoming Board of Regents meeting in April, as well as seeking approval to fully release the easement so that this property can be sold at its maximum value.

Governor Little noted the next matter on the agenda is the item up in Valley County. Governor Little acknowledged this current item is different because it is Morrill Act ground, but inquired of Mr. Purkiss, from a policy standpoint for the Board, if the Department thinks owning the land and leasing it out is a better deal than selling the land, how does the Land Board have a consistent policy to consider. Mr. Purkiss responded the Department has discussed the question internally and deferred to Mr. Michael Finch, the Department's commercial real estate advisor, to answer. Mr. Finch said it is a good question. Commercial ground leasing has been explored by the Department elsewhere. Typically that works best when property is not of a residential nature. There are examples where ground leases are effective in a multi-family high-rise situation where they are not creating any new opportunities such as waterfront or downtown Honolulu. Mr. Finch commented as it relates to land that is zoned for single-family residential or for agricultural uses, because the highest and best use is transitioning from ag to single family, it would be difficult to get real value out of this property on a ground lease structure for single-family developments.

Board Action: A motion was made by Attorney General Wasden that the Land Board direct the Department to offer the Caldwell Area Property Assemblage for sale at auction in Ada or Canyon County upon confirmation of the University of Idaho's relinquishment of the 1947 easement. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

6. Payette Endowment Lands Strategy (PELS) Final Approval – Presented by Jim Elbin, Division Administrator-Trust Land Management

Recommendation: The Department recommends the Land Board:

1. Approve the Payette Endowment Lands Strategy as provided herein.
2. Direct the Department to lift the existing restriction on certain leasing and disposition activities in the vicinity of McCall as directed at the June 16, 2020, Land Board meeting.
3. Direct the Department to begin accepting applications for lease, easement, land exchange, and disposition of lands in the McCall Area of Impact.
4. Direct the Department to begin the process of vetting applications immediately, including the Trident proposal, and hiring third party experts and negotiating for their payment with applicants, as needed, to assist in the evaluation and/or recommendation of applications.

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

Public Comment:

Robert Looper: My name is Robert Looper representing the Pilgrim Cove Homeowners and Brundage Mountain. I know you have received hundreds of pages of comments on the PELS. The following is my two-minute suggestion on how IDL should proceed. One, IDL should expand the

scope of the PELS to include the surrounding acreage which impacts the watershed of Payette. The water quality of Payette Lake rests within the hands of the State of Idaho whether that be IDL or other state agencies. Like the endowment lands, Payette Lake represents a sacred trust for all Idahoans. Why only 5,500 acres? If the bar for determining the scope of the PELS was based on those lands that were "transition endowment lands to higher and better uses where land values are significantly higher than traditional asset classifications," then the Land Board missed the mark when it only looked at the 5,500 acres in the McCall impact zone. The timber land designation/use of the remaining properties surrounding Payette Lake significantly underestimates the value of the property and should have been included in the PELS scope. Two, IDL should keep the focus group or an advisory committee of local stakeholders and places IDL staff incorporates comments and updates to the expanded PELS scope including the redesignation of timberland asset class to incorporate recreation and conservation easements. This will take some time as IDL has never evaluated non-exclusive easements over these properties. This endowment land has been there for a hundred years, there's no one that should feel rushed to complete the process. The land is appreciated substantially above the bulk of IDL endowment lands due to its proximity to Payette Lake. No long-term value will be lost by taking the necessary time to complete a fully scoped PELS. Three, while IDL staff is updating the PELS, IDL should remove the moratorium on certain properties and direct staff to complete transactions on properties such as the Deinhard 80 acres and other similar tracts that can bring substantial value to McCall community and IDL. The disposition of these lands must be done carefully and within the land planning goals and objectives of the City of McCall, Valley County, and will require a substantial commitment of staff and time for third-party experts. In conclusion, if so many people want this property, then your best scenario is to hold on to everything you can for as long as you can.

Amy Rush: Good morning, thank you. My name is Amy Rush, and I am speaking today on behalf of PELA, the Payette Endowment Lands Alliance. PELA acknowledges the need of a guiding document like the PELS but approving the PELS as it stands today would be premature. The Land Board has the constitutional discretion to protect the lands, not just a directive to sell or lease. Preservation of the McCall area endowment lands should be the PELS primary focus given the nature of the McCall area endowment lands, the protection they provide for Payette Lake and the watershed, and their intrinsic value to the people of the state of Idaho. The December draft of the PELS is a benefit analysis of selling, leasing, or trading endowment lands in the McCall area. It does not evaluate the costs of these transactions. The PELS doesn't even mention, let alone prioritize, the health of the ecosystem or the protection of Payette Lake. A more comprehensive analysis would provide a more accurate report of how particular transactions would affect long-term returns. For example, what would be the cost to the ecology of McCall, the health of Payette Lake, or the economy of McCall if the State were to sell Parcels G and H on the east side of the lake? Payette Lake, as you Governor Little pointed out at the North Fork Payette Watershed Summit, is at the top of the ditch. Damage to the lake would adversely affect McCall, the surrounding areas, people miles downstream who use these waters for municipal drinking water, agricultural operations, and recreation. The decisions that the Land Board will make on the McCall area endowment lands will have enormous impacts and moving quickly would be shortsighted. We urge the Land Board to extend the moratorium on any sales or trades of endowment land for two years, work with the City of McCall and Valley County and get these questions right. Once they're taken, they cannot be undone. In closing, please take a step back. In order to engage with moral, spiritual, and intellectual integrity with these lands, we need a

fundamental value shift. It is our deepest value and desire that the Land Board and IDL begin to acknowledge and honor the value of ecological processes, undeveloped lands, and natural ecosystems. The people and the land of our state deserve it. Thank you.

Dave Bingaman: Good morning, Mr. Governor, and members of the Land Board. Valley County would like to commend IDL and the Land Board for the creation of the focus group to engage local stakeholders in creating the final draft of the PELS. Now as you and your fellow Board members take up these deliberations on the subject, we ask for further consideration on the following points raised during the meetings, echoed in the public comments, and presented to you by unanimous consensus from the members of the focus group. Please consider allowing the focus group to continue its function as an advisory group to your Board and IDL and slow down the current timeline adoption of the PELS. A more comprehensive plan that looks at the application of the creative solutions proposed during the focus group and includes the economic impacts of recreation to local community should be included in the final draft of the PELS. During this time, investigate how outside groups could utilize conservation easements, recreation, and traditional leases to augment income on public lands. These strategies would allow IDL to continue to manage local forests; disposition and development do not. Valley County would like the time to explore some of these options, but this won't happen overnight. It will have to be fully vetted through our annual budget process, by passing potential levies, and by researching grant opportunities like the recently reinstated Land and Water Conservation Fund. Please explore ways for IDL to evolve as local economies statewide shift from resource dependent to recreation dependent. Thus far, recreation has been considered only a secondary benefit on endowment lands; allow IDL staff the opportunity to diversify their management to adapt to new challenges in growing demand for outdoor recreation opportunities. Please include accessing easements on properties that do end up in disposition. When properties are deemed appropriate for disposition, require that historical access to and through these lands remains. We've already lost too much land access to privatization across the state. We believe that by allowing ample time for these items to be included in the PELS, and by working together with Valley County and the City of McCall and other key stakeholders in the area, IDL can utilize these innovative approaches to land management to help preserve the character of the area and our ability to access the open spaces while maintaining its financial duties to the endowment and providing a comprehensive framework for managing endowment lands across the state. I thank you for your time and consideration.

Julie Manning: Good morning, I am Julie Manning. Today I am here representing the 14 community stakeholders who participated in the focus group convened by IDL to provide input on the draft Payette Endowment Lands Strategy. We thank IDL for seeking our input and in further support of our responsibilities, as members of this focus group, we delivered a written consensus statement yesterday which I will summarize now. In support of IDL we offer the following three recommendations. First, whereas these endowment lands contribute to long-term returns of the overall trust through appreciation, we recommend that IDL develop new protocols to incorporate and consider this appreciation and identify opportunities to increase revenue in ways that protect the lands and Payette Lake, including protocols for conservation easements, recreation leases and recreation districts. Second, we support IDL taking time to further develop the PELS by considering and incorporating comments, focus group discussions, and other input along with the existing comprehensive plan by the City of McCall and Valley County. While this work is being done, we recommend maintaining the moratorium on disposal

of lands within the McCall Area of Impact, until the PELS is finalized. Finally, we recommend continued commitment to working with stakeholders, including the City of McCall and Valley County, through final draft development and implementation of the PELS. Should IDL desire additional support or involvement of the focus group, we stand ready to offer our assistance. Thank you.

Olivia Bingaman: Hi, thank you so much for taking the time to let me speak today. My name is Olivia, I am a senior in McCall; I was born and raised here. I plan on specializing in environmental law in college, so this is really opening my eyes to that field. I have been using the endowment lands to bike, climb, ski, swim, you name it since I can remember. I think I can speak for my entire generation of kids growing up here when I say it is really a special area because of the recreational value that we all appreciate in it after growing up here. I've been working with the Central Idaho Mountain Biking Association to reroute a popular section of trail on IDL lands, and it's really helped me connect with my community. It's also helped me better understand how recreation on those lands has played a pretty integral part in our economy in McCall. My mountain biking team and I have used IDL lands year after year as a great resource to train and ride in pristine forest lands. The most important part to me is the stretch of waterfront lands on the east side of the lake; it is the only part of the lake left that is accessible and not blocked by private property. I realize that those lands are valuable for development and profit is the goal here, but there are ways to profit off of those lands and continue to maintain its original value. My biggest fear is to go off to college and when I come back to visit, only see condos and private property in the forest and on the lake that I grew up on and appreciated so much. I know that you have gotten a lot of proposals and options to look through, but I really, really urge you not to rush this and take the time that McCall locals and my generation have grown to deserve. Thank you, I appreciate it.

Kristin Sinclair: My name is Kristin Hoff-Sinclair, I am a citizen of McCall, was a focus group panelist, and am representing Brightwater HOA. I applaud IDL staff for its work on the PELS in such a short amount of time and for their efforts to include public input via the focus group session. There's a lot of good that's happened here and an opportunity for even more going forward. The greatest of these opportunities is to enable the preservation of these areas for our children and grandchildren. This will take time and work. The PELS plan is a good start, however, there are pieces missing. Number one, expansion of classifications beyond the current. This is suggested by many in the comments and could include such things as conservation, recreation, and watershed. The addition of these new asset classes would attract and expand options for revenue for the endowment lands. Number two, protocols, or evaluation criteria. Although this is part of the IDL staff recommendation, it cannot be completed prior to the recommendation of vetting applications immediately. How will these be vetted without the new evaluation criteria? In the meantime, it is difficult to submit things like a conservation easement application when there is not a defined set of evaluation criteria. Number three, work with the City of McCall on Deinhard 80. This land could be an answer to affordable housing that is so critically needed. This is an issue for all visitors and citizens of the area. Number four, continue to engage a stakeholder group to work with IDL staff to find creative solutions that enable a win-win while creating a successful model for you statewide. Let's all commit to the hard, challenging work and length of time that is needed to build on this work and create a strong comprehensive plan. Though this may seem daunting in the short-term, the value of putting in the effort now will pay large benefits in the future for all of Idaho's endowment lands. Thank you for your time.

Nick Harris: Good morning, my name is Nick Harris. I have nearly 28 years of financial markets experience and most of that was on Wall Street. I want to highlight that there are other solutions that IDL could pursue besides disposal. A strategy could be pursued to extract yield from the land through a quilted approach of conservation easements, recreation leases, timber harvests, etc., which are not exclusive. In addition, Idaho and Valley counties receive a significant economic benefit from keeping the land public. Ostensibly a portion of tax receipts could be paid to the trust to preserve the area. I wanted to present an example of how this could work. Trident is proposing a swap of some \$32 million worth of timber for 20,000 acres surrounding McCall. Let's pretend that's a fair offer. Let's also assume that McCall land appreciates at 8% a year. If IDL could achieve a 2% yield using a combination of the strategies outlined above, over 32 years the state would earn a sum total of \$113 million, worth \$32 million in today's money. And the trust would still own the land which would be worth \$457 million and yielding 2% a year. That's a much better deal than disposal. For this exercise I presume the Trident offer is fair and it's \$1,600 an acre for land in McCall with over 15,000 linear feet of lakefront property; this offer is a very small fraction of what represents a fair price. This is a complex problem. But there are other solutions besides disposal. Such solutions require creative long-term thought, collaboration, and time. Idaho needs to slow this process down and explore other options. The lands are important engines of growth to the state and a precious resource. IDL has held these lands for 130 years, let's at least take the time to find the right solution. Thank you.

Stanley Johnson: Good morning, my name is Stanley Johnson; I am a future beneficiary to the McCall endowment lands. The lands surrounding Payette Lake have been adored for a hundred years. Its vast areas are open to recreational enthusiasts and have been used by hunters, anglers, climbers, mountain bikers, and skiers alike. The swaths of land around the lake are instrumental to the feel of the town of McCall, and it is a crucial reason why many businesses stay open, and tourists come to McCall. This in turn makes property values dependent on the McCall endowment lands, but the area surrounding the lake and the lake's watershed will be destroyed if they were to ever be sold or traded, therefore I reject the Payette Endowment Lands Strategy. Companies like Trident Holdings are for-profit developers. They threaten to litigate, to force the Land Board to swap these lands for revenue-producing timberland. Trident fails to recognize the words protect and financial return by failing to recognize the strain such a large scale development will put on the county and city. Once-seasonal roads will now require the purchase of more snowplows and increased yearlong maintenance, something that streets and already highly residential areas barely get. Over the past decade Payette Lake had seen an increase in pollutants and algae blooms in the water. Through stringent mitigation, we have kept pollutants like phosphorus and nitrogen down, but with an increase of homes surrounding the north side of the lake, algae blooms will affect the City of McCall, farmers that rely on the Payette River, and livestock owners whose animals will drink the water with toxic amounts of algae and ultimately die. I respectfully ask the Board to consider the residents of McCall, the state of Idaho and our visitors who love to ski, bike, hunt, fish, and climb on the lands that Trident Holdings' Alec Williams has proposed to trade for a short-term timber sale and then personally make millions selling off our land to wealthy investors forever. I ask the Board to consider the future memories that will be made through the recreation opportunity and I also ask the Board to consider the long-term disastrous affects that this land swap will have. Thank you.

Craig Utter: Thank you, Governor, and members of the Land Board for this opportunity to speak. My name is Craig Utter; I am with the Payette Land Trust. On Friday, March 12th the Payette

Land Trust submitted two applications for conservation easements on Parcel G and Parcel H, essentially Eastside Drive. This submission was a direct result of Governor Little's request for out of the box thinking on the McCall endowment issues and for solutions which work statewide. It's also a result of PLT's involvement in the PELS process and participation in the focus group sessions, sessions which amassed a diverse set of stakeholders and generated ideas which brought consensus from the group. PLT heard the Governor's call for workable solutions loud and clear. We submitted the applications in a direct response to the request for proposals to increase the long-term revenue on these lands while conserving traditional uses, natural habitat, access, and water quality. The applications were not submitted in haste, but rather the result from years of work on this issue. We began investigating a path to conservation around Payette Lake in 2018, eventually making the Payette Lake Conservation Project the centerpiece of our Payette River Basin Initiative. In 2020, the discussion surrounding the Land Board's fiduciary duty in relation to traditional uses elevated, due to development values that continue to rival those of timber. Born in 1993 out of the need to balance conservation development, PLT now wants to bring its 28 years of experience of weaving together agriculture, timber, and recreation into conservation easements as a tool to help manage endowment lands. By purchasing an easement at fair market value, the fiduciary duty of the Land Board will be met, the endowment will continue to own the land and benefit from any future derived revenue on these properties under the easement. Purchasing a conservation easement on endowment land has never been done before; given time to establish the necessary protocols, IDL and PLT could successfully create a tool resulting in a win for the Land Board, a win for the community, and most importantly a win for the lake and the land. Thank you.

Beryn Value: Good morning everyone, my name is Beryn Value, I am 17, I go to McCall-Donnelly High School, and I have lived in Valley County my whole life. I can't count the number of times I've been out to Little Lake and hiked or camped, gone to the Thinking Spot and rock climbed or just enjoyed the scenery, biked the Payette Lake trail with my mom, or jumped off the cliffs into Payette Lake with my friends. All of these spots I frequently go to after school in the spring or on a fun summer day are in the 5,478 acres of endowment land. This land goes to the endowment beneficiaries and I am one of those. I opposed selling or trading the endowment lands and I believe the Payette Endowment Lands Strategy focuses too much on financial gain and not enough on long-term effects. If endowment land is traded for development, Idaho will gain logging land and with that funding for schools. This profit will help Idaho in short term, but development of McCall around Payette Lake could possibly cost Idaho more money. Development will remove the buffer from the watershed causing Payette Lake's water quality to degrade and creating a public health issue. Payette Lake is the sole water source for the City of McCall and if the water source is polluted, then there will be a significant cost to find a new source. More funding for schools won't be beneficial if the wildlife and nature surrounding Payette Lake and Payette Lake itself are degraded and lessened. When I come back to McCall with my children, I want them to see Little Lake, the Thinking Spot, and the cliffs in their full and natural beauty. I want them to swim in the clean Payette Lake and I want them to safely drink water from the sink. For these reasons, I oppose the Payette Endowment Lands Strategy. Thank you.

Anika Cramblet: Good morning, thank you for giving me the opportunity to share. My name is Anika Cramblet, and I am a junior from McCall-Donnelly High School. I have lived in McCall my entire life and try to spend as much time outside as possible. One of my favorite adventures was

this winter when a few of my friends and I went cross country skiing. We skied out just before sunset, climbed up to the Thinking Spot, lit a small fire and gazed off into the atmosphere. The stars were transcendent and a wave of appreciation for this hidden Gem State I get to call home washed over me. With that feeling in mind, I will push for slower, more considerate development of our land for as long as possible. Some of my concerns for the Payette Endowment Lands Strategy involve the ecological capacities of the land due to how quickly this plan is being pushed through. The environment should be the foundation of the endowment land plan. Environmental degradation will take place if this plan passes too quickly and if it does not address the environment's priceless assets. Underdeveloped land is encroached upon daily and without a sturdy plan to protect it, nature will soon wither away. When driving through McCall there are many deer inhabiting space with us; they're mangled, depressed, and confused. Rapid development will continue to harm their way of life and wildlife deserve to freely use the land as well. Solidifying a more comprehensive plan will immensely aid the ecosystems and wildlife in McCall, Idaho. A local stakeholder advisory group which will include representatives from the Forest Service, Payette Water Quality Control, the City of McCall, and Valley County youth must be involved in this issue. Other advisors would likely be necessary; however, youth must have a voice on this issue because we will reap the consequences of the endowment land plan, good or bad. Poorly planned development will ruin the lake and its surrounding environment and with that the memories of these beautiful untouched places will lose the genuine feeling they once had. I want more funding for my school and for McCall to continue developing, but not when it's rushed and not when it's at the cost of losing these sanctuaries. Thank you for your time.

Patrick Zak: Hello, my name is Patrick Zak, and my wife and I have lived here in McCall since 1990. I've owned a small business here since 1997 and we raised our family here. We place high value on the freedom and open access to public lands around McCall. I feel that freedom defines Idaho. For as long as we have lived in McCall, we've enjoyed the endowment lands and access to the public lands beyond them in the Forest Service. We've enjoyed hiking, mountain biking, ATV riding, skiing, and hunting. We are not alone as thousands of others enjoy the same access to the land and I see that every year. More and more people are riding their motorcycles, riding their ATVs, hiking, and biking, and I feel that a loss of this land would be detrimental to all of Idaho. I would hate to see privatization of the land lead to the development of the land and loss of access as well as possible degradation of the Payette Lake water quality. Therefore I oppose any transfer or sales of the land. Thank you.

Sailor Van Middendorp: Hi everyone, my name is Sailor Van Middendorp, thank you for letting me speak. I am a current junior at McCall-Donnelly High School. My family has been in the Valley County area for over four generations. Lately, I have been poring over your proposition and while I really respect that you are trying to work with the land, I have some big concerns about it. Chiefly, the consequences that would come with dividing up the land. Because of my family's longevity here, we've been able to make so many amazing memories, specifically on these endowment lands. My first ever rock climb was at the Thinking Spot which is a popular climbing area on the endowment lands. My mom and I were adventuring just before sunset; I got to the top of the route and I could feel the sun on my face and the granite under my fingers. It was an addicting feeling and now I am an avid climber. Being that there isn't many climbing spots in the area, I am a regular to the Thinking Spot. Selling or leasing any of this land wouldn't just affect my lifestyle, but also the life of the land. This proposal would sell transitional lands. When one transitional parcel is sold, the next door piece becomes transitional as well, eventually leading to

the sale of all the endowment lands. Having this patchwork of land could have disastrous consequences. The sold land would be inevitably developed and thus compromising its effectiveness as a refuge for biodiversity, a watershed buffer, and even as a carbon sink. If these things were put into jeopardy, it would lead to a very unhealthy ecosystem. As I said earlier, I appreciate your intentions and time put into this proposal, but I know that it needs more time to make sure the area is preserved. We really need to protect the integrity of the land on which we live. I implore you to think about what the sale of this land would mean, not just for us, or the ecosystem, but also for future generations. Thank you so much.

Camas Alexander: Hi everyone. My name is Camas Alexander and I attend McCall-Donnelly High School as a junior. Growing up in McCall, I have always been attracted to the outdoors. My family and I would always go on adventures whether that be skiing, hiking, or mountain biking. We have explored many of the areas that surround McCall. As I have most recently learned, many of these areas are endowment lands. As an outdoor recreationist and environmentalist, it is important to me that these lands and the surrounding ecosystems are preserved for my generation and for generations to come. These lands, along with good public schools are necessary for the long-term benefit of the local community. In Article IX Section 8 of the Idaho State Constitution, it requires that endowment lands be managed to maximize long-term monetary gains largely to support public schools and other beneficiaries. However, this policy focuses only on economic returns and is not fully aligned with the demands of the public or the needs of the environment. Solutions have been found to this problem such as in Colorado where the state constitution was amended to not only consider the financial aspect of the endowment lands, but also wildlife habitat, the beauty of the land, and other natural values. A large portion of the financial returns demanded of endowment lands are meant to support public schools, however, their contributions aren't enough. For example in 2020, the public school system received around \$52.5 million which only accounted for a mere 2.5% of what the State of Idaho spends annually on schools. If the goal of forming residential developments on the small area of the Payette endowment lands is to provide more long-term funding for public schools, then more effective sources of funding should be found such as passing annual levies or increasing the cost of state parks and rec passes. This would prevent the sale of these precious lands to private investors that aren't in the best interest of the general public. Take these points into consideration when reviewing the case of the Payette endowment lands. Whatever the final decision may be, it will affect the lives of many generations to come. Thank you.

Kay Hummel: Thank you Governor Little, and the Board. I am a resident of Boise so I am not your standard McCall person, perhaps, commenting on this, although my family has a long history around Payette Lake starting with my late father being a boy scout on the east side in the 1930s. I would like to stress that the future appreciation of PELS tracts definitely should guide your processes and decision making now and in the future, along with new protocols suggested by many. I am also going to emphasize something I wrote you in my March 1 comment that Article IX Section 8 of our constitution states that your Board has the duty "to provide for the location, protection, sale, or rental of these lands." I'd like to emphasize the 'or' in that statement and the statutory construction there. It means that our constitution does not mandate that you must sell, trade, lease any part of the endowment lands at any given time or on any specific timetable. I hope we can all reflect on that issue, go forward, and remember that protection is one of your alternatives here. In that same vein, I raised in my comments the idea of outstanding natural resource lands as a classification and your staff emphasized that you got a lot of comment on

strategies just beyond mere disposal of these tracts. Outstanding natural resource land should be a classification you can consider for these special lands, particularly tracts G, H, and the two islands. I encourage you to look at that and consider the future value of those lands now and on into the future. There are many strategies for you to adopt now. Thank you so much for listening.

Jeff Fereday: Thank you, Governor, and members of the board. My name is Jeff Fereday, I live in Boise but also am a landowner in Valley County and have been a lifelong visitor to the McCall area. I agree with essentially everything that has been said this morning, I just want to emphasize a few points. First of all, these lands that the strategy evaluates are not in my view underperforming lands. In fact, they're performing magnificently for the local community, for the economics of the area, and for the people of Idaho just in terms of the values that they provide that have been amply discussed this morning. Some parcels of state land need to be retained, especially if they're delivering such values. The lakeshores and the islands are really good examples of that. The mountain front that is McCall's iconic viewshed is another example. I really encourage you to explore other alternatives for both raising funds and for protecting these iconic lands, such as conservation easements as has been discussed, and other ideas and certainly, to take your time in this matter. The Board's discretion is broad and does not require it to act on any particular leasing or exchange proposal or to make any particular decision as to any particular parcel. You are not under any compulsion to sell, exchange, or lease. I ask that you look at these broader values as you go forward. Thank you very much for the opportunity to comment.

Garret Visser: Good morning and thank you, Land Board, for the opportunity to comment on the pending approval of the PELS. My name is Garret Visser, I represent the Idaho Wildlife Federation, Idaho's oldest and largest coalition of hunting and fishing organizations collectively representing 28 affiliate organizations and 45,000 members and supporters. We want to first acknowledge and thank both the Department and the Land Board for all their efforts on this issue. IWF participated in the PELS draft comment period, we also listened in on all of the focus group meetings and know the time and care that has gone into this process. We agree with much of what's already been said today so I will try to be very brief to reiterate our points. We support IDL taking more time to develop the PELS. With the focus group meetings, substantial public engagement, and the overall publicity given to this issue over the past year we believe it is consistent and appropriate to continue refining the document to best capture these thoughts. We also urge the exploration of new asset classes on the appropriate parcels. We continue to encourage the inclusion of conservation easement options and the potential new asset classes including conservation, recreational, or water quality classifications. Without exploring these options, we may be leaving money on the table. Let's take the time to develop appropriate protocols for those new asset classes if that occurs. Finally, we agree with many that the Land Board should extend the moratorium on these sales, leases, and exchanges until the PELS is refined. It is apparent with this plan, as well as separate proposals that encompass endowment land, but then the area of impact has pushed discussions over the future of endowment lands in the forefront. The adoption of this plan may set the stage for the future of all 2.5 million acres of endowment lands from timberland in Bonner County, to those overlooked famed steelhead runs on Clearwater River in Orofino, to the desert lands of Owyhee County. We need the PELS to be a properly developed model, not only for this but all Idaho community. IWF stands at the ready to help continue to refine this PELS. Thank you.

Discussion:

Governor Little: To all the people that testified, first off thank you for staying on time. Thank you for the enlightenment, it is helpful for the Board. You were all respectful of the process, obviously you've been participating, and I know I speak for the whole Board that we appreciate your participation. Jim, you're up.

Jim Elbin: Yes, sir. I am here to answer any questions you may have.

Governor Little: Questions. One of the questions, doesn't the Department have some conservation easements right now?

Mr. Elbin: Not directly on endowment land that I am aware of, but we do through the Forest Legacy Program participate in helping with conservation easements.

Governor Little: That is a different creature.

Mr. Elbin: Actually that's wrong. There is one over in Eastern, is it at Bruneau?

Governor Little: Curlew [National Grassland]? Well, some of the most profound testimony was about conservation easements. We've got an obligation to maximize return, and maybe the Department and our sage legal counsel can look at that because that was a common thought. We've got a job to maximize income, but that doesn't mean we can't explore that.

Mr. Elbin: Yes, that is the beauty of this plan is that it provides the discretion for the Board to make decisions, it doesn't preclude any proposals.

Governor Little: I want to add, Director, Jim, and Scott, what you've done with the PELS process up there, the natives aren't quite as hostile as they were before, but they're still a little hostile.

Superintendent Ybarra: I just want to thank the high school students that testified this morning and made comments. I want to tell them I am impressed with them participating in the process and just want to give them a shout out; I thought that was fantastic.

Controller Woolf: I, too, want to thank all of those who testified today and all of those who helped. First, to the Department for taking the time; I know it was a lot of effort and work of all of you to help coordinate those focus group meetings. We appreciate the engagement from all of those who participated and those who were sub-participants of that, so I thank you. Item number two on the recommendation, it says direct the Department to lift existing restrictions on certain leasing and disposition activities. Could you explain what certain ones are we talking about? What is the reasoning behind that language?

Mr. Elbin: We currently are allowed to continue with our traditional leasing which we look at as grazing, ag, and of course timber sale activity. We're talking more of let's go ahead and start exploring other things like commercial, residential, conservation easements or leases. That all stems back to the June [2020] Land Board when we put a halt to all of those activities.

Controller Woolf: Follow up, Governor. Some of the comments and feedback was lift the moratorium on some activities, keep it on others; what is the Department's feel and direction on lifting the moratorium?

Mr. Elbin: I think we need to lift it in order to see what is out there for opportunities to explore across the board. That's going to be the challenge which is why we'll need the timeframe to bring in expertise. If it is land management activities, the Department is strong there, but actually being able to compare the financial benefits of the plethora of opportunities we have in front of us, that's where we will need some help and to put the guidelines in place as to how we evaluate those to give you the best options.

Controller Woolf: Mr. Elbin, that point you alluded to of some third-party experts, what is the process or thoughts on that in helping evaluate proposals as they come in, particularly the conservation easements because that is something new. We don't have that framework in building and developing that, if you could speak to that.

Mr. Elbin: We already have financial advisors and others under contract with us, but even looking beyond that I can't get into specifics unless we have a pertinent example. Even in the case of conservation easements, it would be working with the Attorney General's office and other counsel to figure out what are we willing to accept, how restrictive would the conservation easement be, and as a land manager, my bias would be can we have that in place and still meet our other management objectives of the land. Continue to conserve and manage the resources that we have as well as have this beneficial conservation easement that is bringing in the additional income we may need.

Controller Woolf: Any other final thoughts or comments of what was shared today from many of the participants and stakeholders in the focus group and how this applies to the PELS and going forward, along the lines of slowing down. You listed the general 9 or 10 different items that are common observations in the written comments and from the focus group, if you could speak to some of those.

Mr. Elbin: The big take away for me from this is how can we do a better job of letting people know that there's an opportunity to come do business with us and to do so in a timely fashion. That's a lot of the information that I think we took from it. We've historically done certain things very well as an agency and now we have some new opportunities in front of us that we need to make sure we get it right.

Director Miller: Just to add to that, I will say that while the management of some of these transition lands around the lake has presented us some challenges, it's also an opportunity; expanding upon what Jim said, we are open for business. Let's look at some opportunities here to close that financial gap, especially on those acres around the lake where we're not hitting the mark. Get creative and raise the bar for our endowment beneficiaries. I commend staff at the Department of Lands for the work that they've done building out the strategy, putting the focus group together, and sitting down with the community and community leaders to have constructive dialogue about what endowment lands are, how we differ from the Forest Service, but how we want to get this right and make sure that the endowment beneficiaries win.

Governor Little: One of the questions I have is some kind of a time frame. You were pretty candid about the fact that if you're a purchaser of timber, a grazing lease, even a cabin site, we've got a process built out. If we go to a different use, and we had the discussion that we don't have a lot of conservation easements, what kind of time frame for all the parties do you think we are going to need?

Mr. Elbin: The internal discussion on that is another six months. We've had a year; we haven't been sitting idle, we know some of the ideas that are coming and we're looking at that. An idea we threw around was the end of September would be the application period and then some meaningful time after that to evaluate. It is going to depend on how many applications we get for the lands.

Governor Little: The other question is applications. We've got standard applications for purchase of timber, grazing leases, even cabin sites; we don't have standard language for a conservation easement.

Mr. Elbin: That is correct. We have some framework in place. That is going to be a big piece of it, working with the applicants on making sure we're there with that language.

Governor Little: The people around McCall, including myself, all have a vested interest; we need to think of it not exclusively to McCall but exclusive to our entire 2.5 million acre portfolio, including some ground about a mile or mile and a half from here. The issue is, when we do this, as we do with everything else, it needs to be transferable to other parts of the portfolio. Do you think you can get that done by September?

Mr. Elbin: I believe we can.

Controller Woolf: In evaluating if it is new asset classes and evaluating all areas, do we feel we have a good process or plan in place that we can determine if PELS is the right thing in using that to help determine what's the highest and best use of these lands?

Mr. Elbin: I believe we do, but it is going to take some time because there's varied options here: there is disposition which we heard a lot of opposition to that, but we believe it needs to stay on the table, there is other stacked leases on top of our traditional activities, and new things we will have to look at. That's what we want to be able to do, bring that forward to the best of our ability and provide a recommendation that gives you the option to make a decision. The other thing is we have neighboring states that are a little ahead of us on this and I am not opposed to looking at what they've done and stealing some ideas from them as well.

Board Action: A motion was made by Attorney General Wasden that the Land Board approve and adopt the Department recommendation that is:

1. Approve the Payette Endowment Lands Strategy as provided herein.
2. Direct the Department to lift the existing restriction on certain leasing and disposition activities in the vicinity of McCall as directed at the June 16, 2020, Land Board meeting.
3. Direct the Department to begin accepting applications for lease, easement, land exchange, and disposition of lands in the McCall Area of Impact.
4. Direct the Department to begin the process of vetting applications immediately, including the Trident proposal, and hiring third party experts and negotiating for their payment with applicants, as needed, to assist in the evaluation and/or recommendation of applications.

Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

7. House Bill 118—Department Legal Representation – Presented by Dustin Miller, Director

Recommendation: Provide direction to the Department regarding House Bill 118.

[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:

Controller Woolf: I would like to share a few thoughts about this bill. I oppose this bill for a couple of reasons. I do not agree with the last line in the bill; I believe that the five of us as Land Board members have the right and authority to decide who we would like to provide legal counsel for our Board and the Department. Since 1905, Idaho Code 58-120 has included this language that as a Land Board we can determine who our legal counsel shall be. If we do not agree with the current counsel, the existing law provides that we have the authority to request a second or third opinion. Where appropriate, as Board members, we need to exercise that authority. Additionally, I turn to my own internal legal counsel and Land Board staff member often for his independent thought and counsel on many Board actions. This bill has also been a good exercise to step back and evaluate if there is a perception out there. We have an opportunity to evaluate and look for areas to correct, adjust, and improve. I believe Board members, Land Board staff, and Department staff can continue to look for areas of improvement and share those suggestions that may help going forward. At every point, our teams need to collaborate with each other and stakeholders to make sure all points are clear. Last, the business and financial side of this bill causes me to pause. The Director shared some of the potential financial impacts of this bill. As a Land Board, we all know one of our key fiduciary duties is to secure the maximum long-term return and, in my opinion, this would go the opposite direction if we had to find other outside counsel. To put that cost in context, the potential cost to the endowments could be equal to the same amount of net income we receive annually from the grazing program. I want to thank my fellow Board members for allowing me to share my thoughts about this bill and when the time is appropriate, I am prepared to make a motion, but I am interested in hearing other discussion first.

Governor Little: Further discussion?

Secretary Denney: I agree with Controller Woolf that the vast majority of legal advice we need is certainly not controversial or in conflict in any way. I do think that we have the authority that when there is a conflict to hire outside counsel, so I agree with Controller Woolf that we should direct the Department to oppose this bill.

Governor Little: Further discussion? Hearing none.

Board Action: A motion was made by Controller Woolf that the Land Board oppose the passage of House Bill 118. In order to communicate this, this motion instructs the Director of the Idaho Department of Lands to appear before the relevant committee of Idaho's Legislature considering the passage of HB118 and testify on behalf of the Land Board in opposition to HB118, incorporating the following points:

1. HB118 will infringe upon the Land Board's discretion as trustee to retain the most cost effective and qualified services necessary for fulfillment of its constitutional and fiduciary duties; and

