Active marketing begins on 11 state-owned commercial properties for sale

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(BOISE) - Active marketing begins today on 11 endowment-owned commercial properties managed by the Idaho Department of Lands (IDL). The Boise and Idaho Falls properties were preliminarily identified to be auctioned for sale this fall.

The State Board of Land Commissioners (Land Board) heard an update today on the marketing plan intended to generate interest and boost competitive bidding on the properties.

The properties are listed online here.

By law, IDL must auction the properties to the highest bidder and can accept no less than appraised value for the lands and buildings.

Money from the sale of the properties may only be deposited into the endowment’s permanent fund or reinvested in the purchase of timber land and farm land as opportunities arise to generate ongoing revenue. Read more here.

The Land Board’s commercial real estate broker, Thornton Oliver Keller, will be conducting the marketing and assist in the facilitation of the auction of the properties.

All property information materials - such as property condition assessments, environmental condition assessments, transaction documents, and preliminary title commitments, along with detailed information about the auction process and requirements - will be provided online. Read the Land Board informational memo on the 2016 commercial property disposition plans here.

The Land Board provides direction to IDL in managing 2.4 million acres of state endowment trust lands in Idaho under a Constitutional mandate to maximize long-term financial returns from the use and sale of the lands. The Land Board is comprised of the Governor, Attorney General, Secretary of State, State Controller, and Superintendent of Public Instruction.

Question-and-Answer

Why is IDL selling most of its commercial properties?

The decision to divest of most commercial properties managed by IDL is based on the Constitutional mandate to maximize long-term financial returns to public schools and other beneficiaries from the use of endowment lands.

The Land Board hired a general investment consultant in 2013 to perform a comprehensive strategy review of the endowment lands and funds as a combined trust. The consultant said there is no compelling investment reason for direct ownership of commercial properties, and that appropriate decision-making and oversight was not in place for ongoing IDL management of the existing Idaho commercial portfolio. Read more here.

The Land Board hired a commercial real estate advisor, CenturyPacific LLP, to prepare a business plan for the properties, which pointed to current market conditions as well as the challenges and limitations IDL faces in efficiently owning and operating commercial real estate. Specifically, the advisor said, IDL does not appear to have systems or personnel in place to adequately monitor property or third-party contractor performance, cannot efficiently operate commercial real estate (capital projects, leasing, contracting) due to organizational requirements, is not following best practices as evident in property lease documentation and reporting, and is burdened by liquidity and exit value constraints due to the auction/sale process. Read more here.

Why is IDL targeting 2016 and 2017 to sell most of its commercial properties?

The Land Board's commercial real estate advisor recommended the sale of most commercial real estate properties managed by IDL in 2016 and 2017 to take advantage of the strong local commercial real estate market. Read more here.

Why is IDL retaining some of its commercial properties?

A few of the commercial buildings and parking lots managed by IDL will be retained upon the recommendation of the commercial real estate advisor, which determined the properties are worth more long term if held than if sold. Read more here.

Where will the money from the sale of the properties go?

The Land Board voted to consider strategic purchases of timberland and, on a more limited basis, farmland, with proceeds from the sale of residential cottage sites and commercial properties. The Land Board also may transfer proceeds to the endowment’s permanent fund. Money in the permanent fund can never be spent but is invested by the Endowment Fund Investment Board, and earnings from those investments are distributed to public schools and other beneficiaries of endowment lands and funds. Read more here.

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