

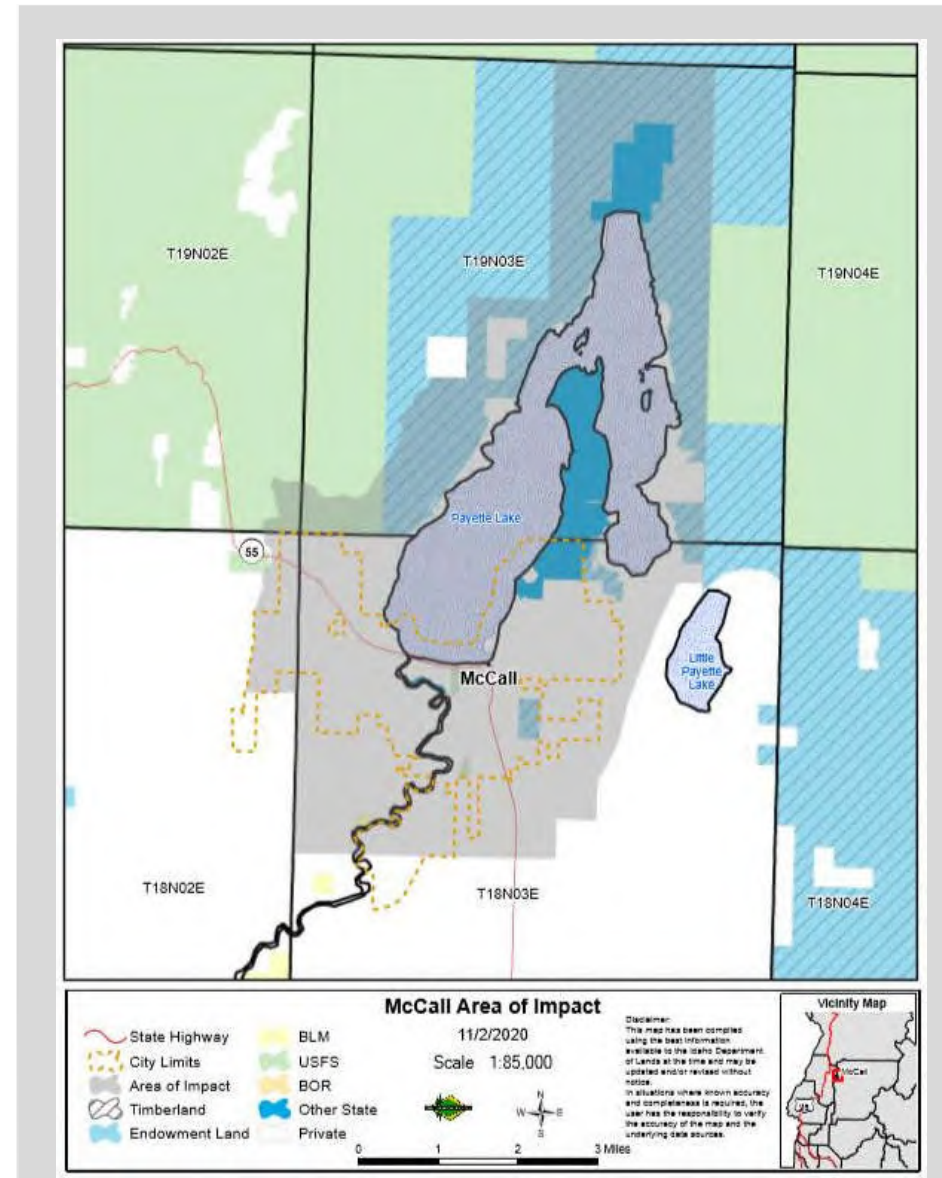


# Payette Endowment Lands Strategy

November 17, 2020  
Idaho State Board of Land  
Commissioners

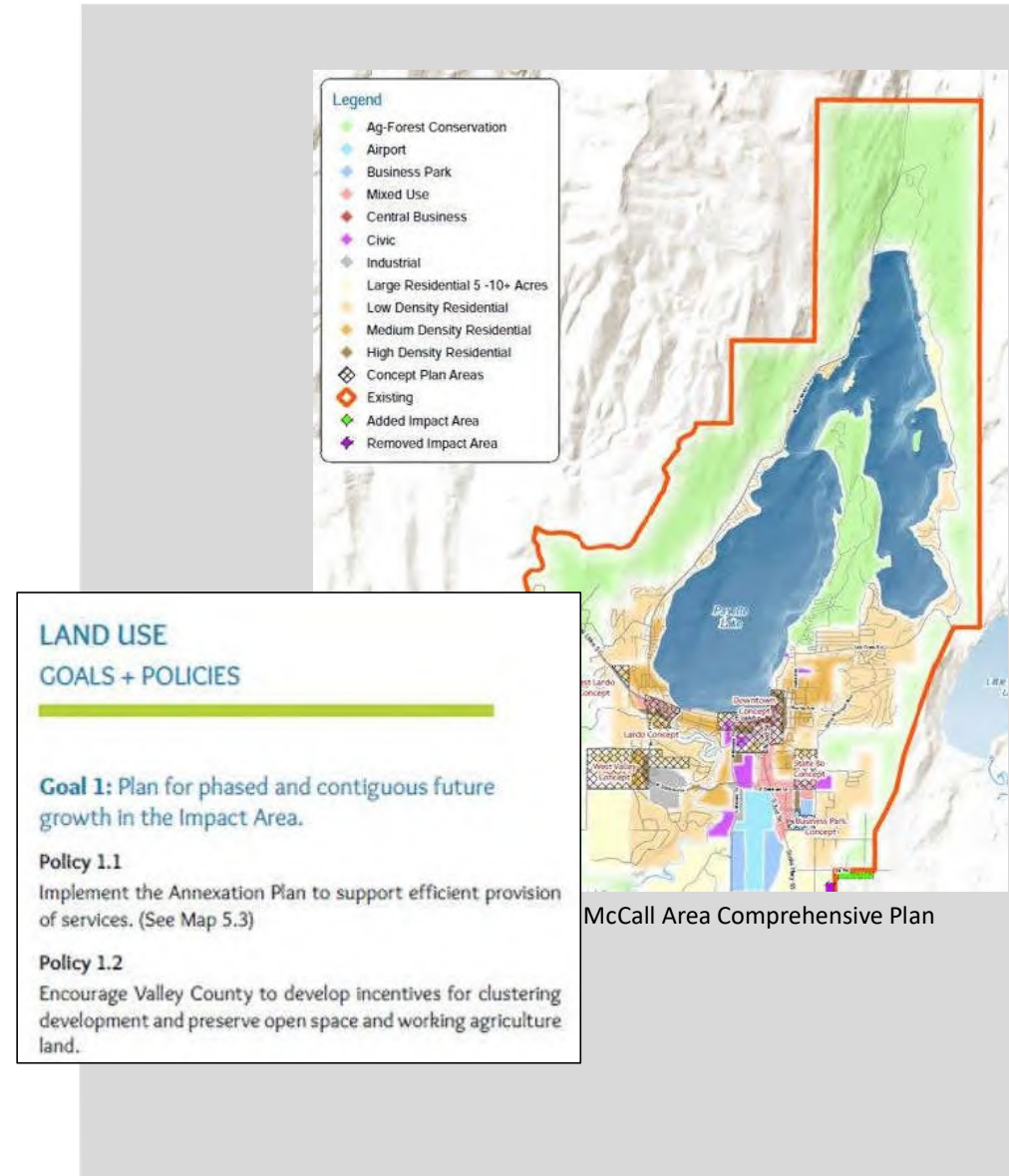
# Introduction

- There are approximately 183,000 acres under IDL's Payette Lakes Area Office management.
- Of those, approximately 74,000 acres are classified, managed, and hold commensurate value as primary timberlands.
- Approximately 5,000 acres sit within McCall's designated Area of Impact, are classified as timberland assets, but are surrounded by higher valued land types.



# Introduction

- Endowment lands within the area of impact are either zoned for uses other than timberland or identified as areas for growth in the future.
- Proximity to urban areas make traditional timber management difficult due to view sheds, public safety, and conflicts with adjacent uses (i.e. residential, recreation, etc.).
- These lands have potential for higher revenue generating uses through leasing or disposition (exchange or sale).



# Problem Statement

There is a continuing need to evaluate and discuss the future of endowment lands within and immediately outside of the City of McCall's growth and impact areas.

- Underperforming assets (timberland)
- Revenue vs asset value - commensurate with appropriate asset returns
- Inconsistency between current asset classification and local planning
- Public's understanding of the endowment mission

# Management Directives

- Idaho Code §§ 68-501 to 68-514 Uniform Prudent Investor Act (Act)
  - Invest and manage trust assets as a prudent investor would.
  - Individual asset decisions must be evaluated in the context of the trust portfolio as a whole and an overall investment strategy having risk and return objectives reasonably suited to the trust.
- Mission Statement
  - To professionally and prudently manage Idaho's endowment assets to maximize long-term financial returns to public schools and other trust beneficiaries and to provide professional assistance to the citizens of Idaho to use, protect, and sustain their natural resources.

# Land Board Approved Directives

- Asset Management Plan (2016)
  - Provides strategic direction to IDL for the management of endowment lands.
- Callan Reinvestment Plan (2016/2018)
  - Identify transactions that meet established hurdle rates and set aside sufficient funds over an appropriate time horizon.
- Statement of Investment Policy (2018)
  - Establish a clear understanding regarding the management and investment goals and objectives for the endowment assets.
  - Establish a basis for evaluating investment and management results.
  - Establish the relevant investment horizon for which the endowment assets will be managed.

# Transition Lands

- The Land Board approved Statement of Investment Policy (“Policy”) and the Asset Management Plan (AMP) provide for IDL to identify potential lands that can be classified as transition lands.
- Transitioning lands requires broader planning in the context of surrounding uses and market conditions but will be specific to individual sites.

**“Lands within traditional asset classes already owned by the Endowment may become suitable for a higher and better use than the current asset classification. Often these properties exhibit high property values and low annual revenues (underperforming) and may be encroached upon by urban development.”**

# Timber Management

- Timber Management in the Payette Lakes Supervisory Area aligns with the Land Board approved Forest Asset Management Plan (FAMP) and 2021 Harvest Plan.
  - The Payette Lakes Supervisory Area managed timberlands are expected to meet net income ratio and return on investment goals under the updated FAMP.
- Timberlands are also available for exchange and other activities.
  - Example: Grazing leases, recreation, communication sites, conservation leases/easements, mining, etc. on timberland asset classified lands.
  - Timberlands can be exchanged in accordance with Idaho Code § 58-138.



# The Plan

- Transition lands in a community context require long-range evaluation.
  - Immediate management decisions need to be made in the context of long-term community and market contexts.
- A phased approach allows revenue generation today, while considering potential future opportunities and trends.

## Phase 1 – Short Term Plan

- Transition properties that are ready

## Phase 2 – Medium Term Plan

- Properties that are on the near horizon and/or need additional studies

## Phase 3 – Long Term Plan

- Develop broader suite of management options to maximize long-term revenue to value

## Phase I – Short Term Plan (1-5 years)

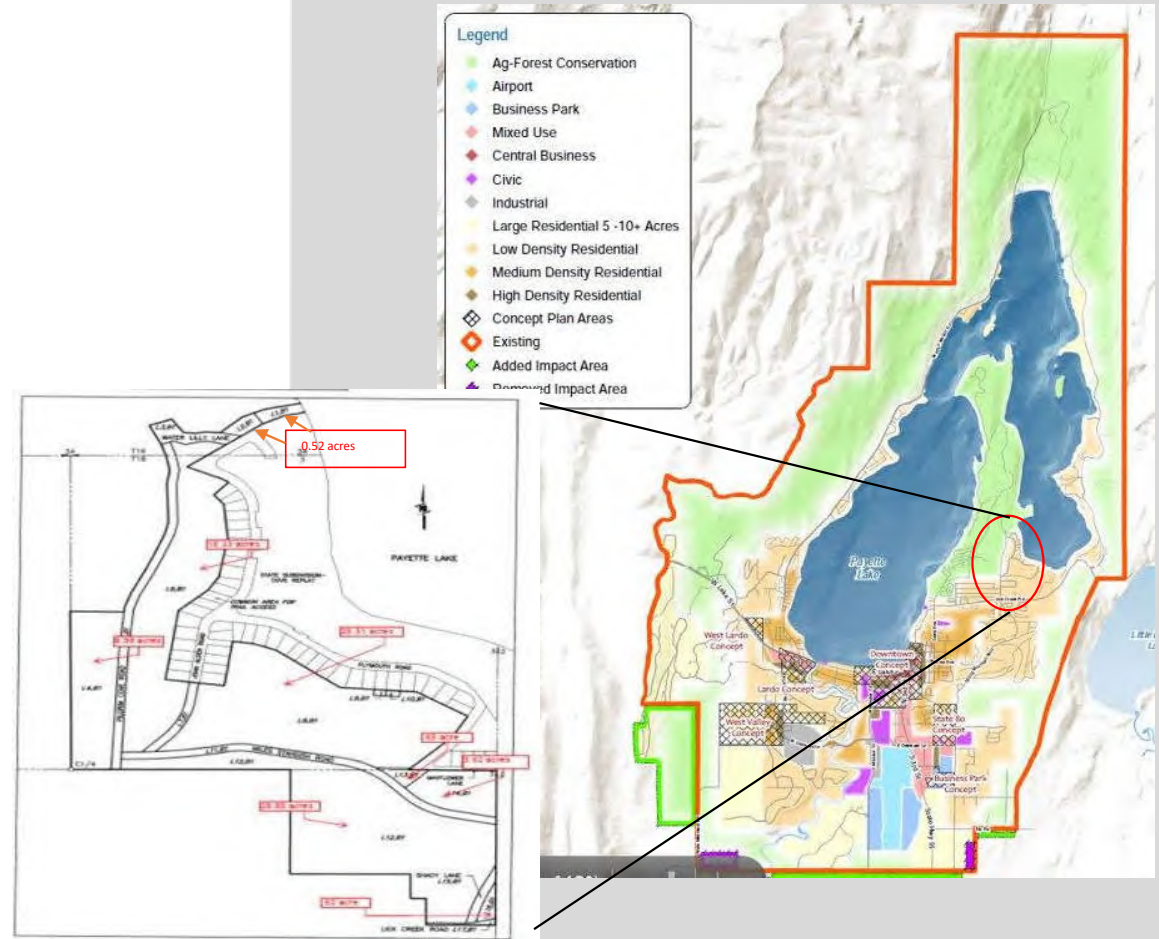
- Transition those properties that are ready
  - Underperforming asset
  - Higher and better uses
  - Surrounding uses, utilities, infrastructure, and zoning prescribe and promote potential uses
  - Market conditions provide for absorption opportunities
- Revenue generated from transition closes the financial “gap.”

### **Management Options:**

- Traditional lease types
- New leasing opportunities
- Wholesale disposition
  - Land exchange

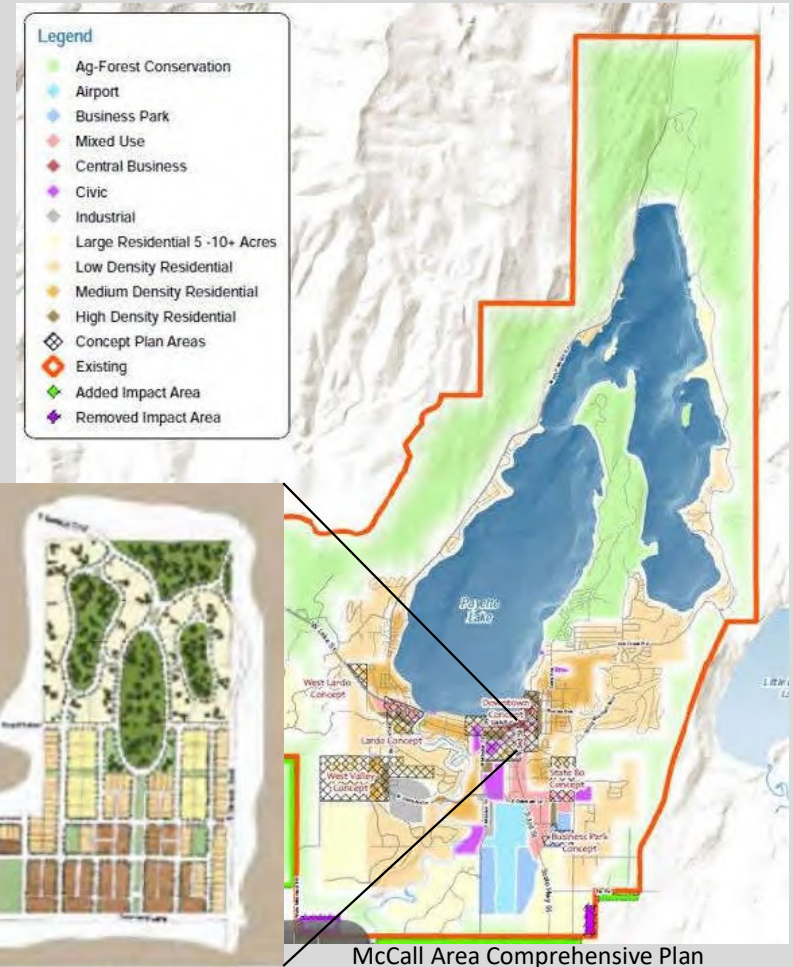
# Phase I Example - White Pine Heights

- Preliminary plat for future redevelopment or disposition.
- Nine vacant and unimproved lots that are not part of the cottage site auction process.
  - 85.82 acres with parcels from .52 to 28.50 acres
  - Road frontage
  - Utilities
  - Surrounding residential uses



# Phase I Example- Deinhard

- 80 acres located adjacent to existing commercial area
  - 10 acres commercial zoning designation
  - 70 acres R4 residential zoning designation
- Road frontage on two sides
- Within the city limits
- Existing utilities available to site
- Proximity to airport, highway, and downtown corridor



## Phase II – Medium Term Plan (5-10 years)

Properties that are on the near horizon and/or need additional studies.

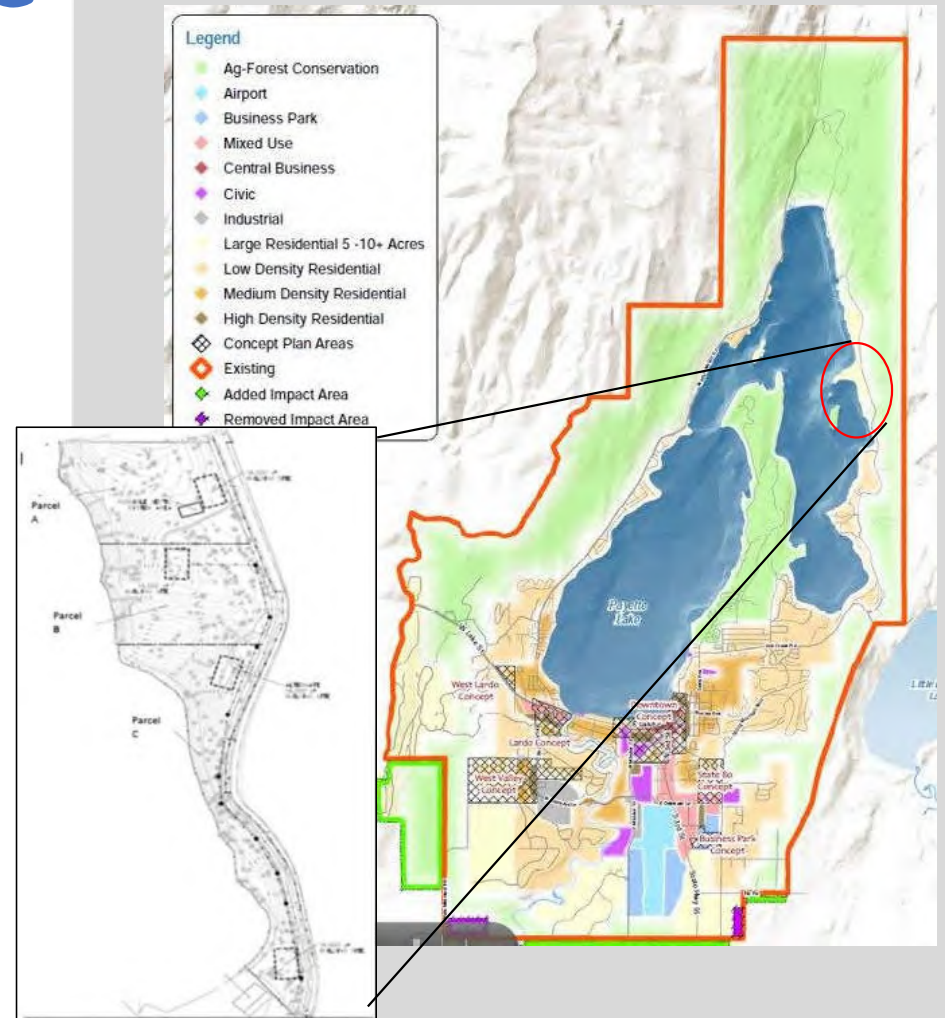
- Parcel specific planning to determine maximum revenue opportunity.
- Use external experts to help evaluate real estate planning.
- Jurisdictional and other agency coordination, as needed.
- Work with stakeholders to establish coordination and cooperation within constitutional limitations and mandate.

### **Value add opportunities:**

- **Annexation**
- **Preliminary platting**
- **Entitlement & utilities**
- **Zoning**
- **Access**
- **New lease types**

# Phase II Example - Parcel G

- Uses available due to the size, nature, and value of the property.
  - Mixed use
  - Medium density residential
  - Low density residential
- Issues
  - Zoning
  - Utilities (Sewer)
  - Infrastructure
  - Topography
  - Neighboring Uses
  - Upland restrictions
  - Access to the lake



## Phase III – Long Term Plan (10+ years)

Develop policy and planning mechanisms to create more consistency between endowment land classification/management and local planning visions.

- Develop broader suite of management options to maximize long-term revenue to value.
- Work with local land use jurisdictions to assure endowment lands are appropriately zoned and understood.
- Facilitated discussions with stakeholders to establish coordination and cooperation within constitutional limitations and mandate.

### DEVELOPMENT POTENTIAL

The McCall Area has substantial land available for additional growth<sup>1</sup>. Developable lands are located within the City limits and in the Area of Impact<sup>2</sup>, and development is also possible on adjacent Idaho state lands. These areas include vacant, undeveloped, or redevelopable residential lands.

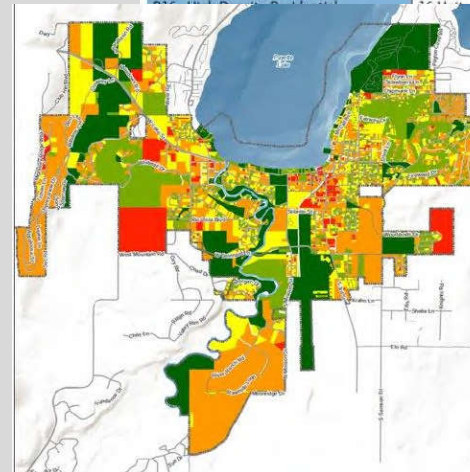
One measure used to understand the potential for development in the future is a build-out analysis. While it is unlikely that every parcel within the planning area will be developed to its maximum potential, analyzing and understanding the extent of development potential is useful. Based on the current undeveloped land within each zoning district, the McCall Area (City limits and Impact Area) has capacity for an estimated additional 13,400 residential dwelling units (Table 4.1) that, based on

the 2015 American Community Survey average household size of 2.91, could accommodate approximately 38,000 additional people.

This is a scenario for planning purposes and is not an adopted policy. Even if these estimates are reduced, the analysis points to an obvious conclusion—there is available land for significant additional residential development within the McCall Area. This development potential affords the City an opportunity to create and maintain efficient land use patterns that reduce the need for inefficient roads and utility infrastructure. Strategically placed local services, retail, and recreation areas could also reduce the lengths of trips for residents and facilitate walking and bicycling as alternatives to auto use.

Table 4.1: Residential Development Build-out Analysis based on Current Zoning

ZONING DISTRICT	Units per Acre	Acres of Developable Land	Additional Units at Maximum Build-out
R1 - Residential (1 Acre)	1 Units/Acre	1,277 Acres	1,277
		0.75 Acres	12
		1,838 Acres	7,352
		524 Acres	4,192
		1,509 Acres	301.8
		2,656 Acres	265.6
			13,400.4



McCall Area Comprehensive Plan

# Implementation

- Move forward with marketing for Phase I properties with the intention to be transitioned for increased revenue.
  - Third party expert assistance and recommendations.
  - Land Board approval where proposed uses are different from traditional management.
- Identify Phase II and III properties.
  - Parcel specific planning
  - Value add opportunities (annexation, entitlement, etc.)
  - Market analysis
  - Expert assistance
- Coordinate additional planning for Phase II and III properties, with updates to local jurisdiction planning documents.



# Closing the Gap

- There is a financial gap between revenue generation and asset value commensurate with timberland.
- A phased approach to transition lands allows IDL to meet mandates and goals in the short to medium term.
- Phase I property transitions provide the time and resources to address broader context of aligning endowment land management in the context of community development.
- Willingness to work with stakeholders to identify opportunities that will close financial gaps and allow IDL to hold lands in current management.
- Examine other opportunities (land exchanges, conservation easements, etc.) that will increase revenue.

# Next Steps

- November Land Board – information update
- December Land Board – draft of written plan presented to Land Board
- December-January (2021) – allow for public comment
- February – present to Land Board for final approval of plan
- Remove moratorium on non-traditional leasing types
- Begin marketing and accepting applications
- Work through any outstanding or pending lease applications
- Begin the process for Phase II and III properties for individual site plans
- Begin discussions with local jurisdictions and stakeholders on ideas/concepts for revenue producing activities



Thank you