

State Land Board

Regular Meeting
June 10, 2008
Agenda Item 3

SUBJECT

Request for authorization to sell, through open and competitive bid process or dispose through a land exchange, up to fifteen (15) scattered forest parcels (approximately 3,221.4 acres) in Coos, Curry, Douglas and Lane Counties. In addition, approve a resolution to “conditionally” decertify the fifteen (15) scattered forest parcels from the 2005 Land Board/Department of State Lands/Oregon Department of Forestry (ODF) management agreement.

ISSUE

Whether the Land Board should authorize the Director to sell through an open and competitive bid process, or dispose through a land exchange, up to fifteen (15) parcels of isolated and scattered forestland parcels of approximately 3,221.4 acres (Appendix A); further, whether the Land Board should approve a resolution (Appendix B) to “conditionally” decertify the fifteen (15) scattered forest parcels from the 2005 Land Board/Department of State Lands/Oregon Department of Forestry management agreement.

AUTHORITY

Oregon Constitution, Article VIII, Sections 2 and 5; pertaining to the Common School Fund and land management responsibilities of the State Land Board.

ORS 270.010; pertaining to the sale of state surplus property.

ORS 273.055; relating to the power to acquire and dispose of real property.

ORS 273.171; relating to the duties and authority of the Director.

ORS 273.275; relating to price of state lands; sale to highest bidder.

ORS 273.281 and ORS 273.285; relating to the payment for state lands.

ORS 273.413; relating to disposition of unsuitable lands, sale and use of proceeds, procedures.

ORS 530.460, ORS 530.470 and 530.480; relating to the process for identifying, certifying and decertifying Common School Fund forest lands.

OAR 141-067; relating to the sale, exchange and purchase of state land.

Asset Management Plan (AMP) adopted by the Land Board, October 2006.

SUMMARY

When the Land Board adopted the Asset Management Plan in October 2006, it approved the initiation of the disposal process for approximately 12,000 acres of scattered forestlands. The Department is far enough along in its review of 15 parcels of scattered forest trust lands in Coos, Curry, Douglas and Lane Counties, that it now seeks the Land Board's approval to sell or exchange these parcels (Appendix A).

Scattered Forestland Parcels

There are 15 parcels of scattered forestlands totaling 3,221.4 acres identified for disposal in four counties. There are two in Coos County; four in Curry County; two in Douglas County; and seven in Lane County. The parcels range in size from 20 to 642 acres; most are between 100-300 acres (5) with the smallest being 30 to 40 acres (4). The single most valuable parcel is likely to be the 239.92-acre Mt. Avery parcel (Curry County). The Asset Management Plan estimated the value of these parcels at about \$15.4 million; timber market conditions and logging costs will greatly affect the valuation of these parcels.

The 15 parcels are currently "certified" (i.e. managed by the Oregon Department of Forestry under the 2005 Common School Forest Land Agreement) and will need to be de-certified at the time of sale as was recently done for the sale of the Eight Dollar Mountain Tract. The decertification process requires action by both the Land Board and the Board of Forestry. The most expedient method is to obtain "conditional" decertification of these parcels that would become effective at the time each parcel is sold or exchanged. A proposed resolution for the Land Board's consideration is provided as Appendix B.

One (1) parcel (South Fork Gate Creek) was not among the 12,000 acres of scattered forestland parcels previously approved under the AMP for initiation of the disposal process. This parcel in Lane County with 599 acres is currently being logged. The tract is isolated from other DSL parcels. ODF has recently recommended disposal.

Agency and Public Review

Letters were sent to all adjacent landowners to inform them of pending disposal of these parcels. Local, state and federal agencies and tribal interests have also been notified and asked to offer information concerning their areas of interest. Any significant concerns offered by any interest over a particular parcel will be thoroughly evaluated and thoughtfully considered prior to moving forward with the disposal process. In some cases, disposal may be delayed or dropped from consideration.

Sale and Exchange Process

The Department will advertise and sell those parcels that are not deemed to be land exchange candidates, using an open competitive bid process arranged to obtain the highest possible sale price. The auction may consist of oral or sealed bid or a combination of the two. If a sealed bid process is used and a tie bid occurs, the Department will proceed with an oral auction to determine the highest bidder for the property. The Director, based on the results of an appraisal, will set the minimum acceptable bid. The Department's experience has been that a public auction has proven the best method of achieving the highest sale price. The Department plans to give wide advertising exposure to the sale.

The Department will offer contract for deed financing to successful bidders in a manner consistent with ORS 273.281 and ORS 273.285 (i.e. 20% down, up to five (5) years to pay off the balance with interest set by the Department). The Department will report the results of the sale back to the State Land Board.

For any land exchange, the Department will enter into a pre-exchange agreement that identifies the lands to be exchanged and responsibilities of each party. Lands acquired by the Department must meet the requirements of the Asset Management Plan.

Valuation

The minimum acceptable bid or land exchange value will be established by the Director based on the Department's estimate of value as derived from the fair market value appraisal of each parcel and including any applicable transaction costs, as deemed appropriate by the Director. Appraisals for each parcel (including timber valuations, as applicable) will be conducted by State of Oregon licensed, professional land appraisers.

Conditions of Sale or Exchange

The Department will retain all subsurface mineral rights on these parcels. The Department will reserve the mineral rights and the right to ingress, egress and use the surface to produce the minerals.

CONFORMANCE WITH THE ASSET MANAGEMENT PLAN and RULES GOVERNING THE SALE, EXCHANGE AND PURCHASE OF LAND (OAR 141-067)

This proposal conforms to the requirements of both the AMP and the Board's rules (Appendix C).

Scattered Forestland Parcels

The Land Board approved 14 of the 15 parcels for disposal evaluation when it adopted the AMP. All of the 15 parcels have been evaluated against the factors listed in the disposal criteria matrix (Table 3) of the AMP (Appendix C). The principle factors influencing disposal are:

- Low income generating potential from timber management
- Low appreciation potential
- Limited or no access

RECOMMENDATION

The Department recommends that the Land Board: 1) authorize the Director to sell, through an open and competitive bid process or dispose through a land exchange, up to fifteen (15) scattered forest parcels totaling approximately 3,221.4 acres in Coos, Curry, Douglas and Lane Counties; and 2) approve a resolution (Appendix B) to “conditionally” decertify the fifteen (15) scattered forest parcels from the 2005 Land Board/Department of State Lands/Oregon Department of Forestry management agreement. Any disposal transaction (e.g. minimum bid) is to be based on a value to be established by the Director based on the fair market appraised value of the parcel and any applicable transaction costs, as deemed appropriate by the Director.

APPENDICES

- A. Maps of land parcels to be sold/exchanged
- B. Land Board Decertification Resolution
- C. Table 3: land disposal criteria matrix
- D. Disposal evaluation of land parcels