



DUSTIN T. MILLER, DIRECTOR
EQUAL OPPORTUNITY EMPLOYER

300 N 6th St Suite 103
PO Box 83720
Boise, Idaho 83720-0050
Phone (208) 334-0200
Fax (208) 334-5342

MEMORANDUM

From: Dustin Miller, Director

To: Honorable Senator Steve Vick
Chairman, Resources & Environment

via email: sjvick@senate.idaho.gov

Honorable Representative Marc Gibbs
Chairman, Resources & Conservation

via email: mgibbs@house.idaho.gov

CC: Ms. April Renfro, Division Manager, LSO

via email: arenfro@lso.idaho.gov

Mr. Rob Sepich, Senior Budget & Policy Analyst

via email: rsepich@lso.idaho.gov

Legislative Library

via email: library@lso.idaho.gov

Date: January 7, 2022

Subject: IDL's Annual Report to the Idaho Legislature and Legislative Services Office
Concerning Idaho Code §58-138

The Idaho Department of Lands (IDL) is required, pursuant to Idaho Code §58-138(7), to "submit a report of all state endowment lands exchanged and acquired and all appraisals and review appraisals conducted pursuant to" §58-138 to both houses of the legislature and to the audit division of the legislative services office on or before January 15 of each year.

In calendar year 2021, IDL completed three land exchanges of state endowment land pursuant to Idaho Code §58-138:

**Owyhee Land Exchange
DeAtley Land Exchange
Idaho Forest Group Land Exchange**

Summaries of each are included here.

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STATE BOARD OF LAND COMMISSIONERS
Brad Little, Governor
Lawrence E. Denney, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D Woolf, State Controller
Sherri Ybarra, Sup't of Public Instruction

MEMORANDUM

RE: **IDL's Annual Report to the Idaho Legislature and Legislative Services Office
Concerning Idaho Code § 58-138**

Owyhee Land Exchange Summary:

On December 16, 2008, the State Board of Land Commissioners (Land Board) directed the Idaho Department of Lands (Department) to enter into a land exchange agreement with the Bureau of Land Management (BLM). The intention for the exchange was to dispose of scattered endowment lands in Sage Grouse and wilderness areas for federal lands that would block-up and provide access to endowment land. The exchange was called the Owyhee Land Exchange.

Initially, the proposal for the Owyhee Land Exchange identified 11 parcels (32,793 acres) of federal land and 62 parcels (37,880 acres) of state land¹. In 2016, the Department removed approximately 10,200 acres of state land from the exchange in response to concerns expressed by affected lessees. These lessees were allowed to opt out of the exchange. In 2017, the BLM removed over 7,400 acres of federal land and the Department removed almost 3,800 acres of state land from the exchange to: 1) address Shoshone-Paiute Tribal concerns regarding potential impacts to cultural resources, and 2) aid in equalizing appraised values.

Acreage Being Exchanged

The state lands proposed for exchange consist of 23,878.16 acres of Public School endowment lands located in Owyhee County, Idaho (Attachment 2). The state lands are made up of 40 scattered isolated parcels within, adjacent to, or near federally designated wilderness areas. The state acquired the endowment lands on March 3, 1863, via the Idaho Territorial Act (12 Stat. 808).

The federal lands proposed for exchange consist of 31,030.66 acres located in Owyhee County, Idaho. The federal lands are made up of 11 parcels throughout the Owyhee Mountains north of Mud Flat Road and located adjacent to existing state lands. One large block consisting of approximately 21,000 acres lies along Highway 51, 16 miles south of Bruneau, Idaho. The federal lands have always been owned by the United States of America and therefore have no sales history.

There is a total net gain to the Public School endowment of 7,152.5 acres (federal acreage being exchanged: 31,030.66 – state acreage being exchanged: 23,878.16).

Property Valuation

The appraisals are complete and conclude that the highest and best use of the subject lands is livestock grazing. The opinion of fee simple value for the cumulative lands proposed for exchange is:

State Lands:	\$5,331,000
Federal Lands:	\$5,361,000

The land exchange will be completed on an equal value basis (Idaho Code § 58-138). Both the federal and state lands were appraised. The appraisals were reviewed by the appropriate federal and state review appraisers and conform to state and federal rules. The effective date of the appraisals were agreed upon by both parties to remain static during the equalized size adjustments. To the extent possible, value equalization was accomplished through acreage adjustment, leaving a cash equalization value of \$30,000 to be made by the Department.

On December 16, 2008 the State Board of Land Commissioners (Land Board) approved IDL's recommendation to proceed with due diligence for the proposed land exchange.

Upon the Land Board's approval to proceed with due diligence for the proposed land exchange, IDL began performing the necessary tasks to obtain the information needed to complete a due diligence analysis. As with any transaction, IDL must ensure that the transaction aligns with the guidance provided by Idaho statutes, rules, and Land Board policy. As such, an analysis of the exchange was prepared and included appraisals, review appraisals, timber cruise data, financial calculations, water right identification, encumbrance review, and also public comment. The analysis was used to ensure that endowment assets are "managed in such manner as will secure the maximum long term financial return" to the trust beneficiaries and support IDL's recommendation to the Land Board.

The Owyhee Exchange was appraised by John & Kim Frome, MAI ARA of John Frome & Associates. Their appraisal report included the valuation of the exchanged and acquired parcels.

The Owyhee Land Exchange appraisal was reviewed and accepted by Jay DeVoe, MAI of the Office of Valuation Services, US Department of the Interior. His review was of Mr. & Mrs. Frome's appraisal for the exchanged and acquired parcels.

The value conclusion for the total **Endowment Parcel(s) was \$5,331,000** and the total Acquired Parcel(s) **(BLM) was \$5,361,000**.

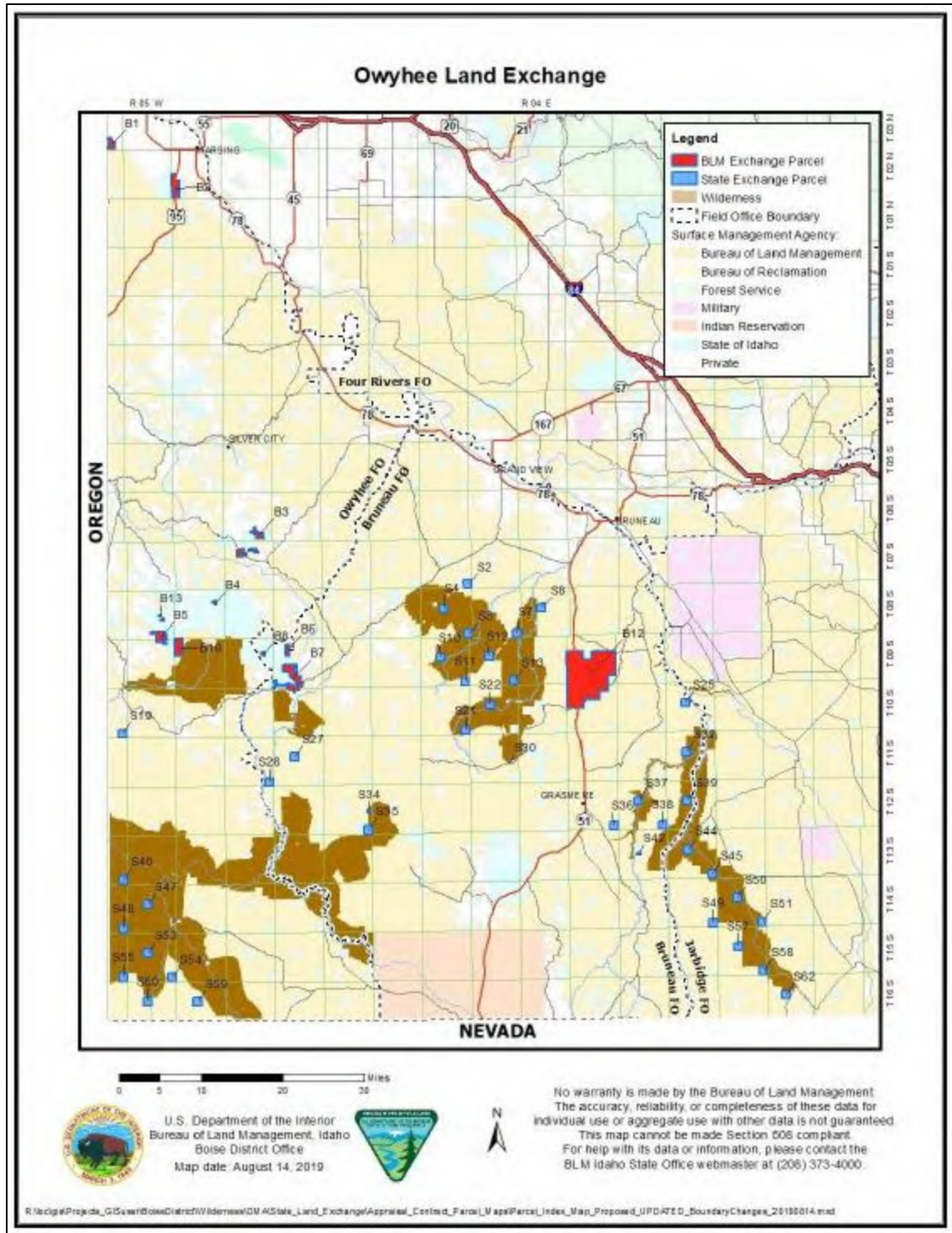
On January 19, 2021, the Land Board directed IDL to complete the Owyhee Land Exchange. The transaction closed early October, 2021.

Attachments: Owyhee Land Exchange Summary & Exhibits.

Attachments

Owyhee Land Exchange Summary:	
State Endowment Land: Very Lengthy, in appraisal reports	
Acres:	±23,878
Land Class:	Dry Grazing
Effective Value Date:	6/23/2016 (Held static)
Final Appraised Value:	\$5,331,000
Approaches to Value:	Sales Comparison
Appraiser(s):	John & Kim Frome, MAI
Review Appraiser:	Jay DeVoe, OVS MAI

BLM Land: Very Lengthy, in appraisal reports	
Acres:	±31,030
Land Class:	Dry Grazing
Effective Value Date:	6/23/2016 (Held static)
Final Appraised Value:	\$5,361,000
Approaches to Value:	Sales Comparison
Appraiser(s):	John & Kim Frome, MAI
Review Appraiser:	Jay DeVoe, OVS MAI



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DeAtley Land Exchange Summary:

An application for land exchange was received by Idaho Department of Lands (IDL) in February 2020, from proponent Brien DeAtley (Lodge at Lolo Creek, LLC). DeAtley proposed exchanging a 629 acre parcel of land they own adjacent to endowment land for a 568 acre parcel of endowment land located adjacent to the DeAtley's other land holdings.

On February 17, 2020 the State Board of Land Commissioners (Land Board) approved IDL's recommendation to proceed with due diligence for the proposed land exchange.

Upon the Land Board's approval to proceed with due diligence for the proposed land exchange, IDL began performing the necessary tasks to obtain the information needed to complete a due diligence analysis. As with any transaction, IDL must ensure that the transaction aligns with the guidance provided by Idaho statutes, rules, and Land Board policy. As such, an analysis of the exchange was prepared and included appraisals, review appraisals, timber cruise data, financial calculations, water right identification, encumbrance review, and also public comment. The analysis was used to ensure that endowment assets are "managed in such manner as will secure the maximum long term financial return" to the trust beneficiaries and support IDL's recommendation to the Land Board.

The DeAtley Land Exchange was appraised by Ruby Miles Strochein, MAI of Gem Valley Appraisal. Her appraisal report included the valuation of the exchanged and acquired parcels.

The DeAtley Land Exchange appraisal was reviewed and accepted by John W. Arney, MAI of Arney Appraisal Associates. His review was of Ms. Strochein's appraisal for the exchanged and acquired parcels.

The value conclusion for the **Endowment Parcel was \$1,012,000** and the Acquired Parcel **(DeAtley) was \$1,039,250.**

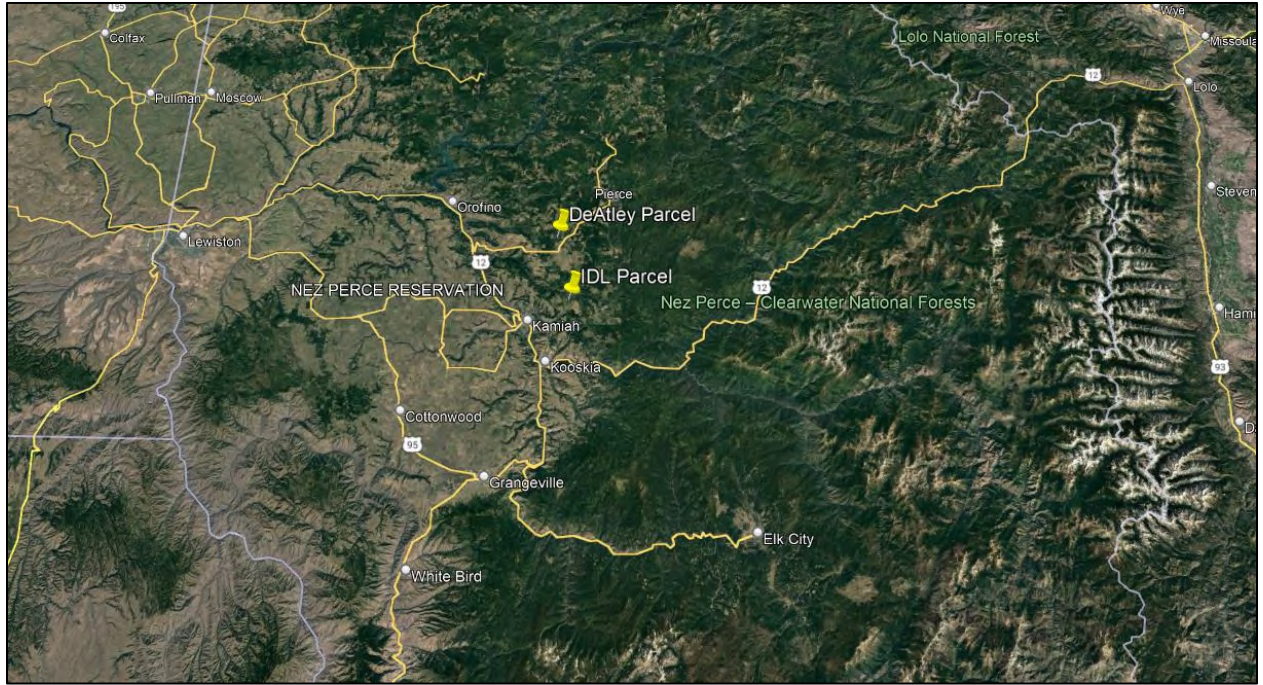
On August 17, 2021, the Land Board directed IDL to complete the DeAtley Land Exchange. The transaction closed on October 6, 2021.

Attachments: DeAtley Land Exchange Summary & Exhibits.

Attachments

DeAtley Land Exchange Summary:	
State Endowment Land: Township 34N, Range 4E, Section 24	
Acres:	±568
Land Class:	Timber
Effective Value Date:	4/7/2021
Final Appraised Value:	\$1,012,000
Approaches to Value:	Sales Comparison & Income
Appraiser:	Gem Valley Appraisal - Ruby M. Strochein, MAI
Review Appraiser:	Arney Appraisal Associates - John W. Arney, MAI

DeAtley Land: Township 35N, Range 4E, Section 3	
Acres:	±629
Land Class:	Timber
Effective Value Date:	4/21/2021
Final Appraised Value:	\$1,039,250
Approaches to Value:	Sales Comparison & Income
Appraiser:	Gem Valley Appraisal - Ruby M. Strochein, MAI
Review Appraiser:	Arney Appraisal Associates - John W. Arney, MAI



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Idaho Forest Group Land Exchange Summary:

An application for land exchange was received by IDL in June 2020, from proponent Idaho Forest Group (IFG). IFG proposed exchanging 300 acres of timberland of land they own in Benewah and Bonner County for a 100 acres of endowment land located in Athol, adjacent to IFG's other land holdings.

On October 20, 2020 the State Board of Land Commissioners (Land Board) approved IDL's recommendation to proceed with due diligence for the proposed land exchange.

Upon the Land Board's approval to proceed with due diligence for the proposed land exchange, IDL began performing the necessary tasks to obtain the information needed to complete a due diligence analysis. As with any transaction, IDL must ensure that the transaction aligns with the guidance provided by Idaho statutes, rules, and Land Board policy. As such, an analysis of the exchange was prepared and included appraisals, review appraisals, timber cruise data, financial calculations, water right identification, encumbrance review, and also public comment. The analysis was used to ensure that endowment assets are "managed in such manner as will secure the maximum long term financial return" to the trust beneficiaries and support IDL's recommendation to the Land Board.

The IFG Exchange was appraised by Steve Hall, MAI of Hall-Widdoss & Company, P.C. His appraisal report included the valuation of the exchanged and acquired parcels.

The IFG Land Exchange appraisal was reviewed and accepted by Ruby M. Stroschein, MAI of Gem Valley Appraisal Services. Her review was of Mr. Hall's appraisal for the exchanged and acquired parcels.

The value conclusion for the total **Endowment Parcel(s) was \$1,215,500** and the total Acquired Parcel(s) **(IFG) was \$1,205,000.**

On May 18, 2021, the Land Board directed IDL to complete the IFG Land Exchange. The transaction closed on Dec 10, 2021.

Attachments: IFG Land Exchange Summary & Exhibits (on following pages).

Attachments

IFG Land Exchange Summary:	
State Endowment Land: Township 53N, Range 3E, Section 16	
Acres:	±100
Land Class:	Light industrial/rural residential/Timber
Effective Value Date:	11/5/2020
Final Appraised Value (Parcels A, B, & C):	\$1,215,500
Approaches to Value:	Sales Comparison & ATF
Appraiser:	Hall-Widdoss & Co., P.C. – Steve Hall, MAI
Review Appraiser:	Gem Valley Appraisal - Ruby M. Strochein, MAI

IFG Land: Township 56N, Range 5W, Section 9-Bodie; Township 44N, R1W, Section 16-Titus; Township 57N, R3W, Section 9-Happy Fork; Township 57N, R3W, Section 5-North Fork	
Acres:	±629
Land Class:	Timber
Effective Value Date:	11/3/2020 – 11/23/2020
Final Appraised Value (Bodie, North Fork, Titus, and Happy Fork):	\$1,205,000
Approaches to Value:	Sales Comparison & Income
Appraiser:	Hall-Widdoss & Co., P.C. – Steve Hall, MAI
Review Appraiser:	Gem Valley Appraisal - Ruby M. Strochein, MAI

