

STATE BOARD OF LAND COMMISSIONERS

March 21, 2023

Regular Agenda

Subject

Final approval for the Brisbie, LLC land exchange

Question Presented

Shall the Land Board authorize the Department to complete the land exchange with Brisbie, LLC?

Background

In July 2022, the Idaho Department of Lands (Department) received an application for a land exchange from Brisbie LLC (Brisbie). Brisbie is proposing to exchange 125 acres of timberland it has the contractual option to purchase in Shoshone County (Brisbie Property), for 205 acres of mineral estate-only on former endowment land located in Ada County near the City of Kuna (Mineral Estate).

On September 20, 2022, the State Board of Land Commissioners (Land Board) approved the request to proceed with due diligence (Attachment 1).

Upon receiving approval from the Land Board, the Department completed the due diligence analysis required for the Brisbie land exchange. The due diligence included financial analysis, encumbrance review, public comment, Member of the Appraisal Institute (MAI) appraisals, review of the MAI appraisals, and an independent third-party analysis completed by the Land Board's Real Estate Advisor, Michael Finch of CenturyPacific, LLLP. The review completed by Mr. Finch (Attachment 2) recommends the land exchange and notes, "...exchanging the Endowment Property for the Brisbie Property – a contiguous 125-acre timberland property – appears to be financially and operationally advantageous to the State of Idaho. The proposed exchange appears to be accretive to the Land Board and affords the exchanging parties to derive unique value due to the characteristics of the property exchanged (location, access, contiguity, perfection of title, etc.). CenturyPacific is of the opinion that the proposed land exchange is beneficial to the Land Board."

All neighboring landowners were informed of the land exchange by certified letter and were invited to submit comments. None of the adjacent landowners replied to the request for comment. Meetings were held with Shoshone County Commissioners on October 18, 2022, and Ada County Commissioners on October 25, 2022. Shoshone County Commissioners were concerned with the reduction in tax base but did not submit a letter in opposition to the proposed land exchange. Ada County Commissioners were neutral on the proposed land exchange as it will not have a negative effect on the Ada County tax base.

Discussion

Brisbie Property

The Brisbie Property consists of 125 acres of timberland in Shoshone County. The land is contiguous and bordered by existing endowment land as seen on the ownership map (Attachment 3). Brisbie does not currently own the property, but they have the contractual option to purchase the property and will close the purchase of the property prior to or simultaneously with the closing of the proposed land exchange.

The Brisbie Property was appraised by Joseph L. Torzewski, MAI, of Stout's Services on March 3, 2023. The market value of the property as determined using the sales comparison approach is \$1,000,000. An appraisal review was performed by Joel Baxley, MAI of RSM US, LLP, on March 3, 2023, which supports Mr. Torzewski's analysis and value conclusion.

The Department's Timber Bureau evaluated the timber on the proposed Brisbie Property and had this to say: "This acquisition will accelerate the harvest of IDL's current asset, removing over-mature stands and replacing them with newly regenerated stands that will improve long-term productivity. The property had a recent precommercial thinning and no further investments will be necessary until the next rotation." The Timber Bureau calculates the value of the timberland to be \$591,468.96. The discounted cash flow model does not include the value for the underlying bare land value, which underestimates the overall property value.

Endowment Mineral Estate

The endowment Mineral Estate proposed for exchange consists of approximately 205 acres. The Mineral Estate was reserved to the State of Idaho upon conveyance of the surface rights from the State to private ownership in 1940 and 1937. The Mineral Estate is in Ada County near the City of Kuna (Attachment 4). The Mineral Estate does not include sand and gravel or geothermal resources. The State has never leased the subject Mineral Estate.

The Mineral Estate was appraised by Joseph L. Torzewski, MAI, of Stout's Services on March 3, 2023. The market value of the Mineral Estate is \$6,400, mainly due to the low possibility of oil and gas deposits. An appraisal review was performed by Seun Olatoya-Ojo, MAI, of RSM US, LLP on March 3, 2023. The appraisal review supports Mr. Torzewski's analysis and value conclusion.

Mr. Torzewski's report concludes the following concerning the Mineral Estate on the former endowment property: "The analysis of the area geology, an examination of active and historic leases, and the analysis of subsurface deposits in the East Kuna North Site by Brown and Caldwell shows that there is no potential for non-energy leasable minerals and coal within the Project Area. The likelihood for oil and gas development is consider low at best." And "A review of mineral developments near the Project Area and the geology of the Project Area shows that the only locatable minerals in the vicinity are in sedimentary deposits not the basalt that is found in the Project Area. This and the lack of locatable minerals found by

Brown and Caldwell, indicates that there is no potential for mining of locatable minerals in the Project Area."

While the market value of the Mineral Estate is very low in comparison with the Brisbie Property, the unique *recognized* value of a consolidated estate and the perfection of title to Brisbie LLC is relevant when considering whether this exchange is an even value land exchange. The recognized value to Brisbie LLC is such that they consider the property rights involved in this land exchange to be equitable, even though the difference in market value will be treated as a donation to the endowment.

Benefits to the Endowment

The Brisbie Property is adjacent to existing endowment land. The Department's Timber Bureau reports the following regarding the benefits of the exchange in terms of increased management efficiency: "Acquisition by IDL would help block up lands and allow for more efficient management of the ownership in the area. There are approximately 3,500 acres of Endowment land in the immediate vicinity of this parcel that use the same road system for hauling of forest products. The property would provide access across 2,600 feet of roadway to approximately 1,100 acres of current Endowment timberland."

Completing this land exchange will trade a low value, non-performing asset for a high value timber asset that will generate revenue for future generations.

Based on the review of the due diligence and the potential benefits to the endowment, the Department recommends completing the proposed Brisbie land exchange.

Recommendation

Approve the exchange and direct the Department to complete and close the as-proposed Brisbie, LLC land exchange.

Board Action

Attachments

1. September 20, 2022 Approved Memo
2. CenturyPacific Review/Recommendation
3. Brisbie Parcel Map
4. Endowment Mineral Estate Map

STATE BOARD OF LAND COMMISSIONERS

September 20, 2022

Regular Agenda

Subject

Request approval to proceed with due diligence for Brisbie land exchange.

Question Presented

Shall the Land Board authorize the Department to proceed with due diligence for the proposed land exchange?

Background

In July 2022, the Idaho Department of Lands (Department) received an application for a land exchange from Brisbie, LLC (Attachment 1). Area staff and Department leadership have reviewed the proposal and believe it warrants further formal evaluation via the due diligence process.

Brisbie, LLC is proposing to exchange 125 acres of land it has the contractual right to purchase in Shoshone County for 205 acres of endowment mineral estate only on former endowment land (referred to as "mineral estate").

The mineral estate proposed for exchange consists of approximately 205 acres in Ada County near the town of Kuna. The mineral estate on this land was reserved to the State of Idaho upon conveyance of the property from the State to private ownership in 1937 and 1940. A map of the mineral estate (Attachment 2) is attached.

The Brisbie property consists of 125 acres in Shoshone County. The land is contiguous as seen on the existing ownership map (Attachment 3). The land exchange would add to a block of approximately 1,000 acres of endowment timberland.

Discussion

This proposed land exchange would improve the long-term value and help block up endowment timberland.

Specific benefits of the exchange include:

- **Return on Asset:** While a return on asset (ROA) cannot be finalized until due diligence work is completed, it is anticipated that the long-term ROA for the Brisbie property as timberland will be higher than the mineral estate. The mineral estate does not include sand and gravel or geothermal resources. Also, the mineral estate does not contain commercially valuable mineral deposits. The State has never leased the mineral estate.
- **County Tax Assessments:** As a result of the proposed exchange, there would be an estimated one time \$800 reduction to Shoshone County tax rolls due to the state's

exemption from property taxes. As part of the due diligence process, the Department will seek comments from the Shoshone County Commissioners.

Upon Land Board approval, the next steps for the land exchange would be for the Department to perform due diligence consistent with the following and Attachment 5:

- Review the preliminary title report to confirm the legal descriptions and the current exceptions to title on the properties.
- Complete a Phase 1 Environmental Site Assessment to review the environmental history of the property. The report is intended to identify actual and potential problems based on a review of historical documentation, regulatory agency databases, and a physical on-site investigation.
- Verify the properties have legal access.
- The properties with merchantable timber will require a timber cruise to determine the species, quality, and quantity of harvestable timber. Sufficient data must be obtained to create a statistically reliable sample for the timber modeling.
- Review the existence of any endangered species at the site. The presence of threatened/endangered species can significantly reduce the value of a property.
- A real estate appraisal will be completed by a Member of the Appraisal Institute (MAI) appraiser to determine the market value for the property. Appraisals will be reviewed by a second MAI appraiser to verify the report meets Uniform Standards of Professional Appraisal Practice (USPAP).
- Review the recorded surveys, verify survey pins are placed at the corners, and determine if there is a need to order a survey.

Based on the review of the due diligence, the Department leadership will approve or terminate the land exchange for further consideration. If Department leadership approves, it will be brought back to the Land Board for approval to proceed.

Recommendation

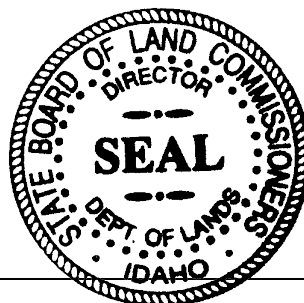
The Department recommends the Land Board approve proceeding with due diligence for the Brisbie land exchange proposal.

Board Action

A motion was made by Controller Woolf that the Land Board approve proceeding with due diligence for the Brisbie land exchange proposal. Superintendent Ybarra seconded the motion. The motion carried on a vote of 3-0.

Attachments

1. Brisbie LLC Application
2. Mineral Estate Parcel Map
3. Brisbie Parcel Map
4. Brisbie Overview Map
5. Due Diligence Checklist



CENTURYPACIFIC, LLLP

REAL ESTATE INVESTMENT BROKERS ■ ADVISORS ■ ASSET MANAGERS

MEMORANDUM

DATE: March 6, 2023
TO: Mr. Jim Elbin, Trust Land Management Division Administrator
FROM: Michael E. Finch, Michael A. Odegard
RE: Proposed Land Exchange:
Brisbie Mineral Rights for ±125 acres of timberland in Shoshone County

SUMMARY

Thank you for the opportunity to review the information in connection with the proposed land exchange between the State Board of Land Commissioners (Land Board) and Brisbie, LLC (Brisbie). As outlined in the land exchange application (July 2022), Brisbie holds a Real Estate Purchase Option (Brisbie Option) on ±125 contiguous acres of timberland in Shoshone County currently owned by Jamestown Forestlands, LLC (Brisbie Property). Brisbie proposes to exercise their purchase option and provide the fee simple estate in exchange for the mineral estate under control of the Land Board (Endowment Property) pertaining to ±205 contiguous acres in Ada County owned by Brisbie.

Based on CenturyPacific's review of the provided information and discussions with IDL and Deputy Attorney General Robert Follett, assuming certain conditions discussed herein are met in ways acceptable to IDL and the State of Idaho Attorney General's office, exchanging the Endowment Property for the Brisbie Property - a contiguous 125-acre timberland property - appears to be financially and operationally advantageous to the State of Idaho. The proposed exchange appears to be accretive to the Land Board and affords the exchanging parties to derive unique value due to the characteristics of the property exchanged (location, access, contiguity, perfection of title, etc.). CenturyPacific is of the opinion that the proposed land exchange is beneficial to the Land Board.

SUPPORTING INFORMATION

CenturyPacific's evaluation of the proposed land exchange is informed by the following:

- **Brisbie Land Exchange Application:** The Land Exchange Application, submitted by Givens Pursley, LLP on behalf of Brisbie, claims that unique and equitable value would be received by both parties as a result of the proposed exchange. Brisbie receives certainty associated with the perfection of title to property it owns in Ada County by obtaining a non-revenue producing mineral estate associated with real property it already owns; IDL receives value from existing timber stock, fee simple ownership of 125 contiguous acres, land value appreciation, as well as improved access and contiguity of existing holdings. The timberlands proposed for the

exchange are, to any party others than Brisbie, LLC, more valuable than the mineral estate.

- **Brisbie Real Estate Purchase Option Agreement:** Assuming no defaults, the Option Agreement verifies Brisbie's ability to purchase the fee simple estate. IDL has advised CenturyPacific that the option will be exercised upon approval of the application for exchange and Brisbie will take title to the 125-acre timberland parcel prior to the proposed exchange.
- **Phase I Environmental Site Assessment (Phase I):** A thorough review of the Phase I site assessment, conducted by Ramboll US Consulting, Inc. (November 21, 2022), revealed no recognized environmental conditions (RECs), underground storage tanks (USTs), nor other concerns regarding environmental contamination. Further, the Phase I estimated that, based on review of aerial photographs, timber harvest on the Brisbie Property has not occurred in the current 12-year ownership period by Jamestown Forestlands, LLC-- and has likely not been conducted since the early 1990's.
- **Valuation of Certain Mineral Rights (Endowment Property):** Based on the Appraisal report by Stout Risius Ross, LLC (March 3, 2023), the market value of the mineral estate of the Endowment Property is \$6,400.
- **Appraisal Review - Valuation of Certain Mineral Rights (Endowment Property):** RSM US LLP's third-party review (March 3, 2023) of the Stout Risius Ross, LLC appraisal found the valuation methodology implemented by Stout to be reasonable and compliant with the Uniform Standards of Professional Appraisal Practice (USPAP).
- **Timber Property Appraisal Report (Brisbie Property):** Based on the Appraisal report by Stout Risius Ross, LLC (March 3, 2023) the appraised market value of the Brisbie Property is \$1,000,000.
- **Appraisal Review - Valuation of Timber/Recreation Property (Brisbie Property):** RSM US LLP's third-party review (March 3, 2023) of the Stout Risius Ross, LLC appraisal found that the valuation methodology implemented by Stout to be reasonable and compliant with the Uniform Standards of Professional Appraisal Practice (USPAP).
- **Correspondence with IDL - Timberland Value (Brisbie Property):** Based on a January 17, 2023 report by IDL, the estimated net present value of the timber resources, alone, is \$591,468 - without contemplation of a future sale event (a component of financial value in a standard appraisal of "Fair Market Value"). In addition to the creation of sustainable net revenue to the Land Board, control of the Brisbie Property would "allow for more efficient management of the ownership in the area" and "the (Brisbie) property would provide access across 2,600 feet of roadway to approximately 1,100 acres of Endowment timberland." At present, it is

unclear to CenturyPacific whether Jamestown Forestlands, LLC (current title holder) has the right or option to harvest existing timber after the exercise of the current purchase option.

- Review of Area Maps, IDL Correspondence: Based on review of area maps identifying ownership of surrounding parcels, the Brisbie Property would create additional contiguity and enhanced access to existing IDL holdings in Shoshone County. Access opportunities and the promotion of IDL timber operations through this exchange are further confirmed via correspondence with Lawson Tate (IDL Lands Program Manager).
- Review of IDL Internal Correspondence – Endangered Species: Based on correspondence between Joel Clark and Colton Finch, IDL is not aware of any endangered species that are inhabiting or using the Brisbie Property in a way that would adversely affect timber operations and/or ownership of the Brisbie Property by the State of Idaho.
- Review of IDL Correspondence – Brisbie Option: Correspondence with Lawson Tate (IDL Lands Program Manager, September 2022) confirms legal access through existing right-of-way via Childs Creek Road. Additional review of the Brisbie Option shows the reservation of reciprocal easements to be contemplated in the purchase and sale agreement after the exercising of the option. Within these two (2) reciprocal easements Jamestown Forestlands, LLC would be allowed to cross the Brisbie property on Olson Creek Road, while the second would grant the State of Idaho an easement on a nearby parcel owned by the seller that would enhance the State’s access to the Brisbie property and other holdings. It should be noted, however, there exist easement gaps on Olson Creek Road and, as such, secondary legal access by these means is not confirmed.

BRISBIE PROPERTY

Estimated Value

The appraised fair market value of the Brisbie Property is \$1,000,000 (Timber Property Appraisal Report, Stout Risius Ross, LLC, March 3, 2023). To arrive at this valuation, Stout employed a sales comparison approach utilizing nine closed transactions. CenturyPacific finds the number of data points included to be sufficient and the valuation reasonable.

Title Matters

The preliminary ALTA Title Commitment for the Brisbie Property provided by First American Title Insurance Company (May 13, 2022) listed thirty-one (31) exceptions to title. Pursuant to various correspondence with Deputy Attorney General Robert Follett, the title exceptions include the reservation of mineral rights, oil and gas rights, as well as reciprocal access or easement encumbrances.

Through correspondence with IDL and Mr. Follett, it is CenturyPacific's understanding that matters on title are consistent with similar acquisitions IDL has previously undertaken and risks associated with the title encumbrances are acceptable to the State of Idaho. Several of the encumbrances on record have expired and CenturyPacific recommends attempting to clear expired encumbrances if the Land Board elects to pursue an exchange.

Insurance & Indemnity

Upon review of Mr. Follett's notes to the title exceptions and subsequent related correspondence, there exists potentially problematic language related to indemnification and insurance requirements if the Brisbie Property is to be owned by the State of Idaho. It is our understanding that consensus for removal or modification of indemnity language is unlikely due to the number of parties associated with the easements. We recommend IDL attempt to remove expired exceptions as well as amend remaining objectionable language related to indemnification and insurance. Similarly, the same title encumbrances require Commercial General Liability (CGL) insurance coverage. We understand the State of Idaho typically provides a memorandum of self-insurance in lieu of CGL coverage and State of Idaho self-insurance has been acceptable in previous property transactions. As previously noted, title encumbrances on the Brisbie Property closely resemble language and risk previously accepted through recent transactions IDL has completed. Notable transactions for reference include the Packers 1 transaction (December 2018) also involving Jamestown Forestlands, LLC, as well as the Vandals 1 transaction (January 2023).

Existing Timber Harvest Rights

The Phase I ESA conducted by Ramboll US Consulting, Inc., estimates the timber located on the Brisbie Property has not been harvested within the last 12 years of ownership by Jamestown Forestlands, LLC. Ramboll US Consulting, Inc. references several aerial maps appearing to indicate that timber harvest has not occurred on the Brisbie Property since the early 1990s. Confirmed by the Idaho Department of Lands, there remains considerable timber stock currently available for harvest. As provided for in the Brisbie Option, Jamestown Forestlands, LLC maintains the ability to harvest all timber over 13 years of age during the option period. It is unclear if Jamestown Forestlands, LLC will maintain this right after exercise of the option. While the existing timber management contract between Jamestown Forestlands, LLC and Molpus Woodlands Group, LLC has expired, the Brisbie Option allows Jamestown Forestlands, LLC to enter new timber harvest contracts during the option period. Though near-term timber harvest rights are somewhat unresolved, current harvest value aside, it appears the value Brisbie Property to the State of Idaho exceeds the value of the Endowment Property proposed for exchange due to contiguity with, and improved access to, existing State of Idaho holdings.

ENDOWMENT PROPERTY

Estimated Value: Mineral Estate

The Endowment Property refers to the mineral estate (as reserved pursuant to Section 47-701, Idaho Code) relative to a 205-acre parcel of land owned by Brisbie, LLC on W Kuna Mora Road in Ada County (APN S1531300000). As confirmed by the appraisal conducted by

Stout Risius Ross, LLC (March 3, 2023), the geological profile of the parcel alludes to little, if any, potential for valuable minerals to be extracted. The appraised fair market value of the mineral estate is \$6,400 and efforts to monetize resources reserved in the mineral estate are not deemed to be financially feasible. A further review of the Stout valuation report conducted by RSM US LLP (March 3, 2023) confirms that the valuation methodology applied is reasonable and compliant with USPAP appraisal standards for mineral interests.

CONDITIONS OF CENTURYPACIFIC'S RECOMMENDATION

CenturyPacific's recommendation in support of the proposed transaction exchanging the Endowment Property for the Brisbie Property is conditioned upon the following:

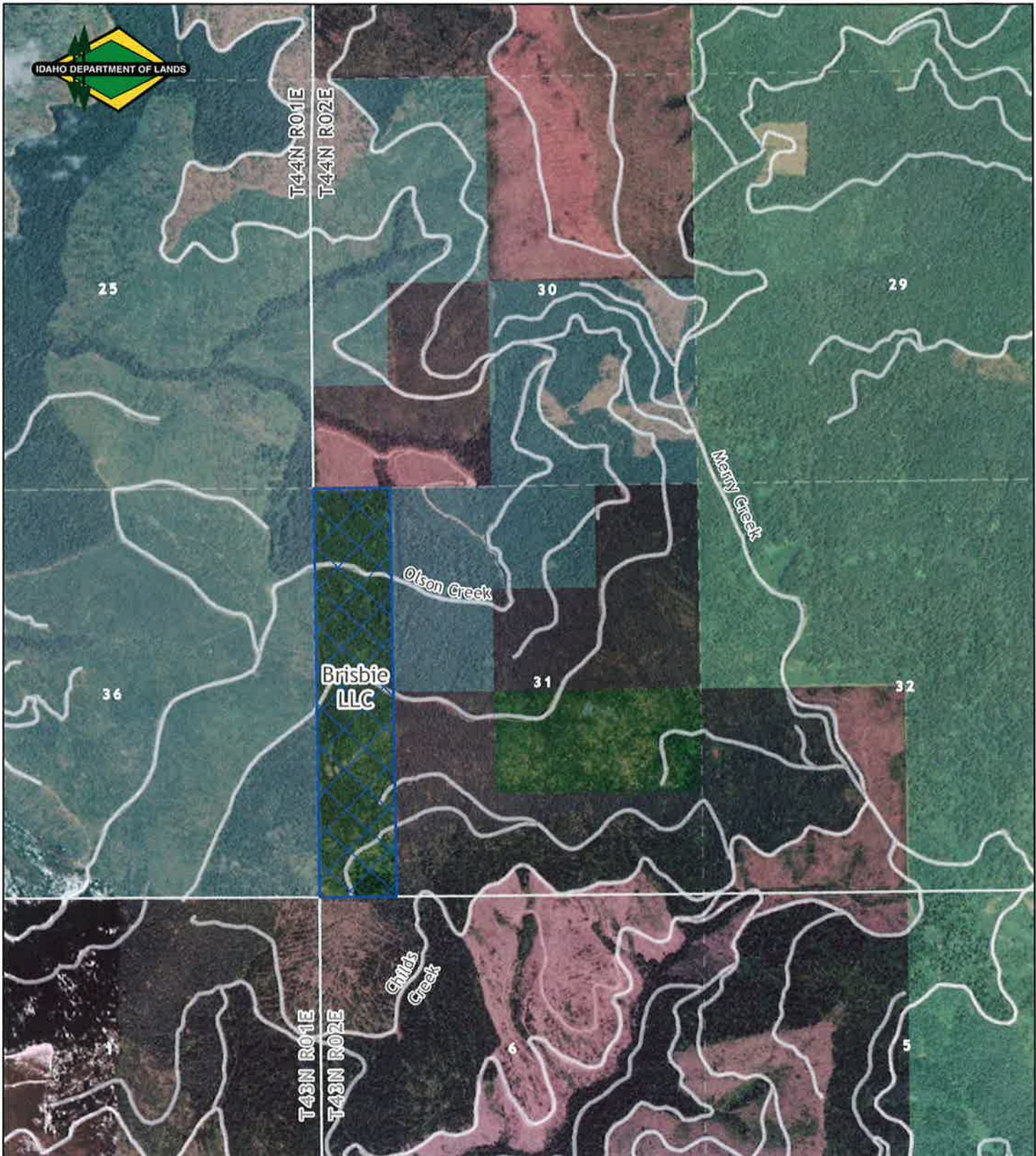
1. All financial and legal exposure as a result of encumbrances related to the Brisbie Property are acceptable to the State of Idaho Attorney General's office; and
2. A complete, current title report is reviewed and approved by IDL and the Attorney General's office immediately prior to finalizing the exchange.
3. IDL understands and is comfortable with the condition of the Brisbie Property at closing, including then existing timber stock and any rights in favor of Jamestown Forestlands, LLC or others that would extend beyond closing of the proposed land exchange.



DOCUMENTATION REVIEWED

This memorandum, and CenturyPacific's support for the proposed land exchange, is informed by the following:

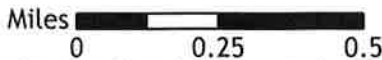
- Brisbie, LLC and Jamestown Forestlands, LLC. "Real Estate Purchase Option Agreement." July 25, 2022.
- Givens Pursley, LLP. "Land Exchange Application." Submitted on behalf of Brisbie, LLC to IDL. July 28, 2022.
- Stout Risius Ross, LLC. "Valuation of Certain Mineral Rights in Ada County, Idaho as of November 30, 2022." Issued March 3, 2023.
- RSM US LLP. "Review of Stout's Valuation of Certain Mineral Rights in Ada County, Idaho As of November 30, 2022." March 3, 2023.
- Stout Risius Ross, LLC. "Real Estate Appraisal Report as of November 30, 2022." Issued March 3, 2023.
- RSM US LLP. "Review of Stout's Valuation of Timber/Recreation Property along

- Olsen Creek Road, Fernwood, ID 83830 As of November 30, 2022." March 3, 2023.
- First American Title Insurance Company. "2016 ALTA Commitment for Title Insurance." Provided to Brisbie, LLC. May 13, 2022.
 - Idaho Department of Lands, State of Idaho Attorney General's Office, CenturyPacific. Various Correspondence, 2022-2023.
 - Idaho Department of Lands. "Jamestown Forestlands Brisbee Land Exchange" January 17, 2023.
 - Idaho Department of Lands. "Endangered Species Review - Brisbie Land Exchange" Internal Correspondence, September 2022.
 - Idaho Department of Lands. "Brisbie LEX - Access Confirmation" Internal correspondence September 2022.
 - Jamestown Forestlands and Molpus Woodlands Group. "Memorandum of Agreement with Respect to Log Harvest Agreement" January 1, 2013.
 - Ramboll US Consulting Inc. "Phase I Environmental Site Assessment: Timber Property Olson Creek Road, Shoshone County, Idaho" November 21, 2022.



-  To Be Acquired
-  Roads
-  USFS
-  State
-  Potlatch

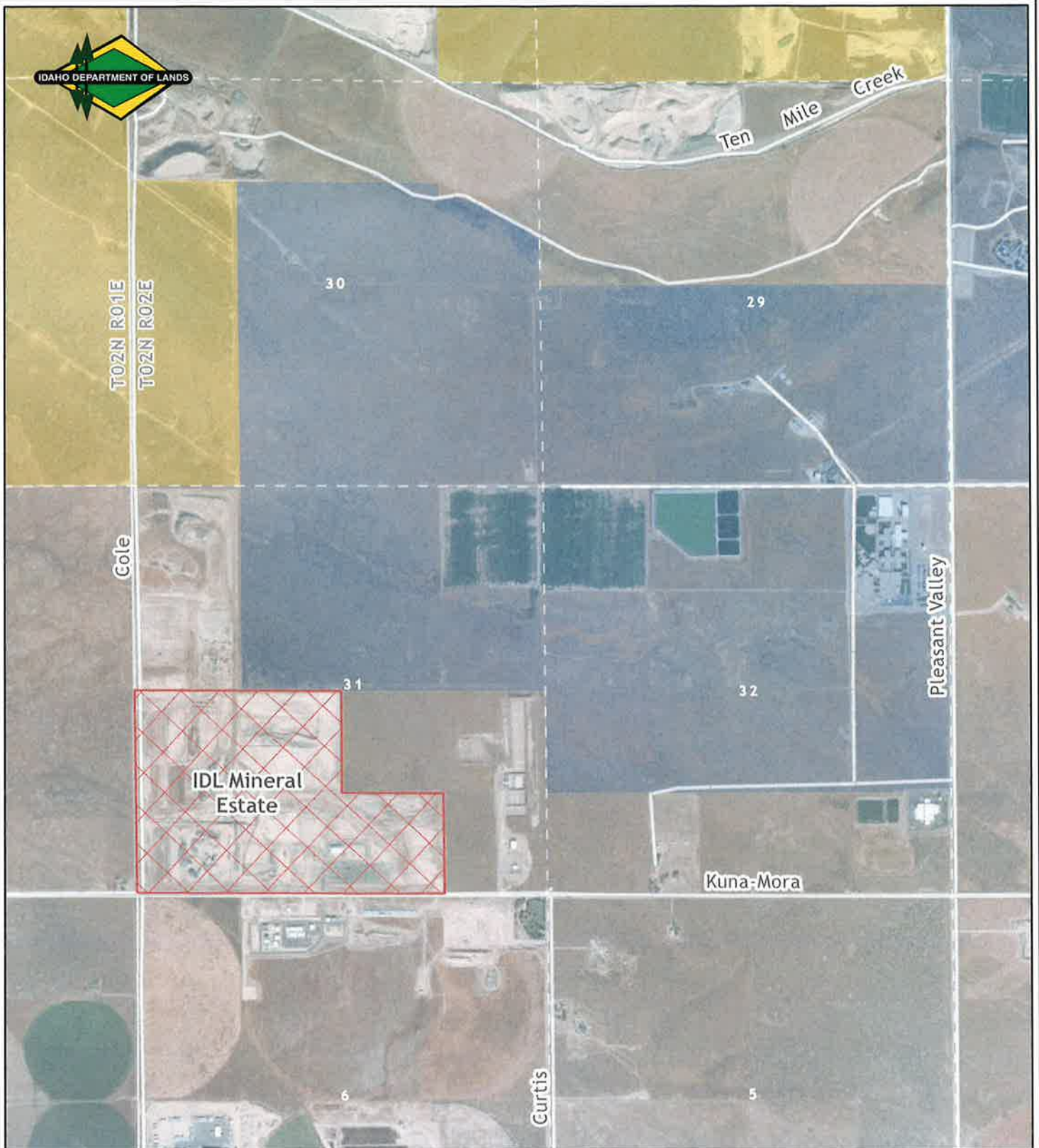
Idaho Department of Lands
 St. Joe Area
 Shoshone County, Idaho
 3/14/2023



Land Exchange
 IDL-Brisbie LLC
 To Be Acquired
 GIS Acreage = 125
 Scale: 1:20,000

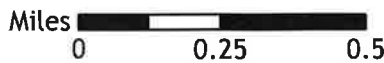
Disclaimer: This map has been compiled using the best information available to the Idaho Department of Lands at the time and may be updated and/or revised without notice. In situations where known accuracy and completeness is required, the user has the responsibility to verify the accuracy of the map and the underlying data sources.





-  To Be Disposed
-  Roads
-  BLM
-  Private
-  State

Idaho Department of Lands
 Southwest Area
 Ada County, Idaho
 3/14/2023



Land Exchange
 IDL-Brisbie LLC
 To Be Disposed
 GIS Acreage = 250.12
 Scale: 1:20,000



Disclaimer: This map has been compiled using the best information available to the Idaho Department of Lands at the time and may be updated and/or revised without notice. In situations where known accuracy and completeness is required, the user has the responsibility to verify the accuracy of the map and the underlying data sources.

VL0314