

# STATE BOARD OF LAND COMMISSIONERS

August 15, 2023

Regular Agenda

## Subject

Use of Land Bank Funds for Employee Housing

## Question Presented

Shall the Land Board authorize potential investment of Land Bank funds in residential real estate for employee housing?

## Background

Article IX, Section 8 of the Idaho Constitution mandates that endowment lands shall be managed to secure the maximum long-term financial return for the endowment beneficiaries. The Idaho State Board of Land Commissioners (Land Board) utilizes the Idaho Department of Lands (Department) as its administrative arm for that purpose.

Funds in the Land Bank are the result of dispositions of land assets. To date, well over \$200 million in land assets have been disposed. Land Bank funds have been used for acquisition of timberland and legal access to endowment lands; funds have also been transferred to the permanent fund for investment in financial assets. Per statute, funds may remain in the Land Bank for five years.

To manage the 2.5 million acres of endowment land, the Department has ten supervisory areas and a workforce of 355 full-time and around 225 seasonal employees. Most of the employees work in rural communities and support timber and rangeland management, and seasonal fire suppression. The communities where employees live and work, both rural and urban, have experienced significant increases in real estate values in recent years. These rising costs have created issues for the Department to recruit and retain the employees necessary to manage and protect the resources to ensure they produce the maximum long-term financial return for the endowment beneficiaries. The employees implement land management and resource protection for land assets that have produced an average of over \$52.7 million of net income for the endowment beneficiaries over the past five years.

## Discussion

Escalating real estate values and rental rates have created a need for housing for certain Department staff. A recent study conducted by the City of McCall revealed that only 2% of homes in McCall are affordable for individuals working in the Accommodation and Food Services sector, while 23% of the workforce belongs to this sector. Although this study is for only one submarket in a specific labor market, the Department and other state agencies are competing within the same limited housing pool available to these workers.

To utilize Land Bank funds to acquire employee housing, the Department must carefully evaluate the long-term financial return to the endowments. As part of this review, the Department will analyze potential revenue streams, property values and appreciation, opportunities to capture increased value from the properties, the total cost versus benefit for each unique situation, and the opportunity cost for alternative investments. Additionally, the Department will coordinate with other state agencies where housing needs overlap.

Use of Land Bank funds for acquisition of residential real estate for use as employee housing would be subject to the following conditions:

1. Confirmation from the Department's Counsel regarding legality of using Land Bank funds for acquisition of residential real estate for use as employee housing.
2. Thorough analysis of the financial aspects of each potential transaction consistent with the Land Board's fiduciary duty.
3. Potential acquisitions shall be limited to the minimum properties and locations necessary to provide employee housing essential to conducting land management and resource protection for the endowments.
4. In addition to existing staff, the Department may utilize third party experts to assist with sourcing and analysis of potential acquisitions.
5. All potential acquisitions shall be presented to the Land Board for approval prior to closing the transaction.

## **Recommendation**

Authorize potential investment of Land Bank funds in residential real estate for employee housing subject to thorough analysis and Land Board approval prior to closing of transactions.

## **Board Action**