

State Land Board

**Regular Meeting
June 12, 2007**

Agenda Item 1d

SUBJECT

Request for authorization to sell, through open and competitive bid process or dispose through a land exchange, up to twenty-four (24) isolated forest and rangeland parcels (approximately 1,790 acres) in Baker, Union, Umatilla and Wallowa Counties.

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 twenty-four (24) parcels of isolated forest and rangeland tracts of approximately 1,790 acres (Appendix A).

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 273.247; relating to the disposal of isolated parcels of rangeland; sale procedure.

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.

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 authorized the sale of all unleased rangeland and 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 24 parcels of Common School Fund trust lands in Baker, Union, Umatilla and Wallowa Counties that it now seeks the Land Board's approval to sell or exchange these parcels (Appendix A).

Isolated, Unleased Rangeland Parcels

There are 11 parcels of unleased isolated rangeland totaling about 612 acres identified for disposal in three counties. There are six parcels in Wallowa County; five in Umatilla County and one in Union County; ranging in size from 1.26 acres to 103 acres; most are 40 and 80-acre parcels. Only one (North Powder) is accessible from public roads. The most valuable is the 103-acre parcel near North Powder which offers homesite potential with a fine view of the Baker Valley and the Elkhorn Mountains. Price per acre for all but the North Powder parcel is likely to be \$200 to \$400; with the North Powder having an estimated value of about \$300,000 for the entire parcel.

Isolated, Leased Rangeland Parcels

There is one leased isolated rangeland parcel (40 acres) identified for disposal that is located within the Oregon Department of Fish and Wildlife's Wenaha Wildlife Management Area.

Scattered Forestland Parcels

There are 12 parcels of scattered forestlands totaling 1,177 acres identified for disposal in four counties. There are four in Union County; three in Baker and Wallowa Counties; and two in Umatilla County. The parcels range in size from 40 to 240 acres; most are 80 acres (5) with the smallest being 40 acres (3). The single most valuable parcel is likely to be the 160-acre Bear Creek parcel (Wallowa County). The Asset Management Plan estimated the value of these parcels at about \$1.5 million; timber market conditions and logging costs will greatly affect the valuation of these parcels.

Agency and Public Review

Letters were sent to all adjacent landowners to inform them of pending disposal of these parcels. Some have indicated an interest in purchase or land exchange. 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 by the end of this year or early 2008. 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 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 for non-rangeland parcels; purchasers of rangeland parcels will be required to pay 10% down with a ten-year contract). 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 (AMP) 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 B and C).

Isolated Unleased Rangelands

In approving the AMP, the Land Board authorized sale of isolated, unleased rangelands.

Isolated Leased Rangelands

A leased rangeland parcel within the Oregon Department of Fish and Wildlife's Wenaha Wildlife Management Area is recommended for sale or exchange to ODFW. The AMP allows disposal of isolated leased rangelands on a case-by-case basis. This 40-acre parcel has no road access and is steep and rocky. It is better managed for its wildlife resources.

Scattered Forestland Parcels

The Land Board approved these parcels for disposal evaluation when it adopted the AMP. Each has been evaluated against the factors listed in the disposal criteria matrix (Table 3) of the AMP (Appendix B). The principle factors influencing disposal are:

- Low income generating potential
- Low appreciation potential
- Limited or no access
- No access to utilities

RECOMMENDATION

The Department recommends that the Land Board authorize the Director to sell, through an open and competitive bid process or dispose through a land exchange, up to twenty-four (24) isolated forest and rangeland parcels totaling approximately 1,790 acres in Baker, Union, Umatilla and Wallowa Counties. 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. Table 3: land disposal criteria matrix
- C. Disposal evaluation of land parcels