



ASSET MANAGEMENT PLAN

**A PLAN TO GUIDE THE MANAGEMENT OF LAND,
WATERWAYS AND MINERALS ENTRUSTED TO THE OREGON
STATE LAND BOARD**

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I. INTRODUCTION

The State Land Board and the Division of State Lands (Division) manage approximately 2.3 million acres of land owned by the State of Oregon. These lands fall into two broad categories – Trust lands and Non-Trust lands. Trust lands were granted to the state by the federal government at the time of statehood specifically to support the state's public schools (kindergarten to 12th grade). They originally included Sections 16 and 36 in each township. Since that time, many of these lands have been sold or exchanged. Submerged and submersible lands underlying navigable waterways were also granted to the state at the same time. These and other lands granted to the state at a later time (e.g., Swampland Act lands) are known as Non-Trust lands, which are managed for the greatest benefit of all the people of the state.

The Division acts as the administrative arm of the State Land Board, which is comprised of the Governor, Secretary of State and Treasurer. The Land Board is the trustee of the Common School Fund (Fund or CSF), a permanent fund or account managed to provide revenue to public schools. As a trustee, the Land Board has a legal obligation to manage Trust lands for the maximum long-term benefit of the public schools and must exercise prudence, skill and diligence in keeping the lands and Fund productive.

The Common School Fund includes two types of assets – financial assets (e.g., cash and investments in stocks, bonds and other securities) and real property. While Non-Trust lands are not considered CSF assets, revenues from their management are deposited in the Fund. This Asset Management Plan (Plan) addresses management of all of the Land Board's real estate assets. It does not address the Fund's financial assets, which are managed by the State Treasurer and the Oregon Investment Council and are currently valued at approximately \$328 million. Like many investments, CSF financial assets are managed to maximize return while exercising sound fiscal judgment.

The real property assets managed by the Land Board and the Division are conservatively valued at approximately \$1.1 billion. Contributions to the CSF from real property assets are derived from a variety of business activities. For example, rangelands are leased to ranchers for grazing; timber is sold; and waterway areas are leased for such uses as sand and gravel removal, houseboat moorages, marinas and log storage.

The Land Board and the Division have identified four primary reasons for undertaking this Plan:

1. The need to establish a coordinated comprehensive real estate management philosophy;
2. The need to proactively manage the Land Board's real estate assets with the same vigor applied to the investment portfolio;

3. The need to increase net revenues from CSF real estate assets to meet Land Board goals; and
4. The need to provide a guide to balance revenue generation and resource conservation decisions.

The Land Board and Division have developed this Plan to establish an overall real estate management philosophy and direction to improve performance and efficiency, provide greater benefits to Oregon's schools and people, guide the management of public lands, and improve customer service. A consultant team, headed by Cogan Owens Cogan, has produced the Plan in collaboration with Division staff and the Land Board and with public and agency input. *A supporting Background Document, developed in conjunction with this Plan, includes data and analyses that support the Plan's strategies.*

Plan elements include:

- ◆ **An overall philosophy** elaborates trust and stewardship mandates and provides the Land Board with a cohesive and flexible foundation for more detailed policies.
- ◆ **Guiding principles** provide more detailed management direction for all Division land assets.
- ◆ **Resource-specific management prescriptions** include, for each land class, revenue enhancement and investment objectives, and strategies to resolve potential conflicts between resource stewardship and revenue enhancement.
- ◆ **Overall implementation measures** define the actions necessary to carry out the plan. These measures will be developed for each land class by the Division after consultation with stakeholders and other affected parties, circulation for public review and input, and reviewed by the Land Board.

The Division must engage in additional planning, develop implementation measures, and, in some cases, initiate administrative rule-making in order for the Plan to be fully operative. *The Land Board and Division will continue to seek public input on land management prescriptions and implementation measures long after this Plan is adopted.* The Plan will be reviewed and updated at least every five years.

II. OVERALL MANAGEMENT PHILOSOPHY

It is essential that land management by the Land Board and Division be based on a cohesive overall philosophy. This philosophy is centered on the Land Board's fiduciary trust responsibilities and role as a responsible steward of public lands. These responsibilities differ for Trust and Non-Trust lands. The distinction stems from how these lands came under Land Board jurisdiction.

A. Trust Lands

Trust lands are those lands granted by the United States to the state "for the use of schools" upon its admission into the Union. The primary obligation of the Land Board, as trustee, is to manage and protect these lands for the maximum, long-term benefit of the public schools, consistent with sound stewardship, conservation, and business management principles. The Oregon Constitution dedicates revenues derived from Trust lands to the Common School Fund.

While revenue maximization is the standard fiduciary goal of a trustee, the Land Board is not required to maximize present income without regard to other considerations. Rather, the Land Board's duty is to maximize the value of and revenue from Trust lands over the long term. Present income may be foregone to preserve specific properties if it is determined that such action will enhance land value and income for the benefit of future beneficiaries.

The duty to obtain market value and maximize revenue does not limit the Land Board to consideration of economic factors in managing Trust lands. The Land Board is free to explore innovative mechanisms for securing environmental, social, and other non-economic benefits so long as doing so would not diminish prudent long-term economic return from the lands. However, permanent dispositions of Trust Lands must meet a strict standard of generating the greatest possible proceeds because they represent a one-time only benefit to the trust.

Above all, the Land Board's trust obligation requires it to remain flexible so it can respond to changing resource conservation and management concerns and future revenue-generating opportunities. A major challenge for the Asset Management Plan is to provide consistent management direction for the present while retaining the necessary management flexibility for the future.

B. NON-TRUST LANDS

Non-Trust lands include submerged and submersible lands underlying navigable waterways, the Territorial Sea, and "swamp lands" granted to the state by the federal government. These lands are held and managed by the Land Board for the greatest benefit of all the people of the state. The Land Board has considerably more latitude in managing Non-Trust lands than it does in managing Trust land. Neither the Constitution nor statutes require that Non-Trust lands be managed to generate revenue, allowing such lands to be used for a variety of purposes. However, any income produced from these lands is deposited in the CSF. The Public Trust Doctrine requires that the state's management of waterways avoid unreasonable interference with public navigation, fisheries and commerce. Thus, there is a need to apply sound stewardship, conservation, and business management principles in managing Non-Trust lands.

C. KEY THEMES

The Land Board and Division have identified the following as the Plan's key themes and the underlying philosophy to be reflected in defining a program for management of the Land Board's real estate assets.

The Land Board and Division will continue to meet its obligations on Trust lands.

The Oregon Admission Act and Constitution require the management of Trust lands to maximize revenue over the long term for the Common School Fund. Thus, a fundamental goal of the Plan is to increase the overall value of the Land Board's real estate portfolio and the contributions of that portfolio to the CSF. In meeting its trust obligations, the Land Board's investment decisions will be evaluated using longer payback time periods than is typical in the private sector. Processes for the exchange, sale and acquisition of land will be formulated and conducted to satisfy the Land Board's trust responsibilities.

The Plan provides a balanced approach to revenue enhancement and resource stewardship.

Although the Land Board is required to maximize revenues over the long term for its Trust lands, it is not precluded from addressing environmental and other values, especially on Non-Trust lands. The land managed by the Land Board and Division contains many resources, including those which can be utilized to generate revenue for the Common School Fund, as well as those which should be protected for their resource and public use values. The Land Board recognizes that it must ensure adequate resource protection commensurate with its fiduciary and public trust obligations.

The Plan emphasizes land management, not land disposal.

As stated previously, one of the fundamental goals of the Plan is to increase the overall value of the Land Board's real estate assets. The Plan does not represent a blueprint for disposing of the Land Board's portfolio, nor does it recommend converting all real estate assets into other financial assets (stocks, bonds, etc.). Disposal of Trust lands will generally be limited to non-performing assets (those for which expenses are greater than revenues or returns are substantially below market rates). Sale and acquisition processes will be reasoned and methodical and occur through case-by-case evaluations over time. Sale proceeds may be reinvested in new lands or improvements to existing real estate assets. Exchange opportunities will be fully explored as part of any disposal evaluation.

The Plan provides general land management direction; many details will be addressed during the implementation phase and fully involve the public.

The Plan is designed to provide the Land Board and Division with overall guidance in making land management decisions. Necessity dictates that specific implementation measures and management decisions, such as evaluation of waterway lease rates, disposition of isolated Rangeland parcels and adoption of new administrative rules, be further analyzed and developed during the implementation phase of the Plan. These implementation measures will be reviewed by the Land Board and will involve affected interests and the general public.

III. LAND CLASSIFICATION SYSTEM

A key element of the Asset Management Plan is a system to classify the agency's lands in a meaningful way. A Land Classification System (LCS) serves as a starting point to develop more specific land classifications and management direction. The LCS is use and resource-based, and classifies land by suitability for both existing and potential uses. Applied primarily at the macro or landscape level, it is a tool to apply broad management prescriptions to categories of land uses. At the micro or area/parcel-specific level, it is a starting point to develop more specific land classification categories and management prescriptions for specific geographic areas or types of land through area management planning. Seven primary land classes have been developed:

- ◆ *Forest Lands* -- Elliott and Sun Pass State Forests, as well as other scattered forest tracts in eastern and western Oregon;
- ◆ *Agricultural Lands* -- lands leased for farming operations in eight counties;
- ◆ *Rangelands* -- grazing lands, located primarily in Harney, Lake and Malheur Counties;
- ◆ *Industrial/Commercial/Residential Lands* -- non-resource lands and buildings, such as the South and North Tongue Point marine industrial sites in Astoria and the Division's headquarters building in Salem;
- ◆ *Special Interest Lands* -- lands with sensitive or unique natural, cultural or recreational resources;
- ◆ *Waterways* (Non-Trust lands) -- submerged and submersible lands and the Territorial Sea (that area seaward of the coast for three nautical miles);
- ◆ *Minerals* -- mineral rights and lands containing mineral resources such as geothermal resources, natural gas, industrial minerals, and precious metals;

Other major elements of the LCS are:

- ◆ *Defining attributes* -- attributes that further define the land classes; some attributes are applicable to all classes (e.g., Trust or Non-Trust designation); and others to only certain categories (e.g., productivity classes for Forest Lands, type of lease for Rangelands and unique features present on Special Interest Lands); and
- ◆ *Parcel-specific characteristics* such as size, ownership information, value, improvement potential, and topography.

Almost all of the uplands managed by the Land Board and Division are Trust lands. Non-Trust lands include Waterways, approximately 25,000 acres of Rangelands, and some small tracts in other land classes. A summary of acreage by land class and its approximate market value is provided in the following table. *Approximate market value estimates were derived and intended only for general comparative purposes and should not be interpreted as representing appraised fair market value for any specific land parcel or classification.*

Table 1: Asset Inventory and Market Value, 1993/94			
Land Classification	Total Acres	Number of Leases/Permits	Approximate Market Value
Forest Lands	133,000	NA	\$1.066 billion
Agricultural Lands	5,227	12	\$2,338,000
Rangelands	638,000	151	\$26,795,000
Industrial/Commercial/ Residential Lands	556	3	\$3,000,000
Special Interest Lands ¹	160	4	Unknown
Waterways	800,000	401 ²	NA
Minerals ³	753,000	54 leases 10 exploration permits	Unknown
Total	2.3 million	635	\$1.1 billion
Notes			
1. Additional lands may be eligible for this classification based on area management planning.			
2. Includes sand and gravel leases.			
3. Subsurface rights only. Does not include 410,000 acres of land with surface and subsurface rights included in other land classes nor approximately 2.1 million acres managed by the Division for other state agencies.			
Sources: Forest Lands: Duck Creek Associates; Agricultural Lands: Division of State Lands, COC; Rangelands: Palmer, Groth & Pietka; ICR: Division of State Lands			

IV. GUIDING PRINCIPLES

The following Guiding Principles provide overall land management direction. They are applicable to all lands, irrespective of their classification.

A. General Land Administration Principles

1. The Land Board and Division will meet Admission Act and public trust obligations. Trust lands will be managed with the overriding objective of maximizing revenues over the long term for the Common School Fund, while conserving the value of the land and complying with applicable federal laws. Compliance with state laws will be pursued to the extent that it does not conflict with Constitutional requirements, as determined by the Land Board and reviewable by the courts.

Non-Trust lands will be managed with the overriding objective of providing the greatest benefit to the people of the state of Oregon, as determined by the Land Board in a manner consistent with all applicable laws and reviewable by the courts. Public Trust Doctrine requirements to manage waterways in a manner that avoids unreasonable interference with public navigation, fisheries and commerce will be met.

2. The Land Board and Division will strive to balance revenue generating opportunities with resource stewardship needs. Whenever possible, strategies to increase revenue and contain costs without compromising the resource, environmental, cultural, and public use values of the state's lands will be developed.
3. The Division will develop area management plans, for public review and review by the Land Board, for definable geographic areas and/or for specific resources, e.g. waterway areas. Such plans will:
 - ◆ Be organized by geographic location, resource type, or revenue generation potential;
 - ◆ Inventory, as appropriate, various economic, environmental and social factors;
 - ◆ Govern all management activities undertaken by the Division within the subject area;
 - ◆ Identify appropriate land classification(s), including Special Interest Lands;
 - ◆ Establish specific land management strategies and implementation measures;
 - ◆ Seek to maximize revenue to the Common School Fund over the long term for Trust Lands;
 - ◆ Utilize the efforts of other agencies in developing coordinated management plans; and

- ◆ Include lessees, adjacent property owners, beneficiaries and other interested parties in the planning process.
- 4. The Division will seek a rate-of-return that meets or exceeds the market rate-of-return for each land classification, consistent with Trust and Non-Trust obligations. Because the Common School Fund investment portfolio will likely be the source for capital investment and acquisition funding, investment and acquisition decisions will be evaluated in relationship to the performance of that investment portfolio.
- 5. The Land Board and Division will actively pursue partnership agreements with other government entities and private and public organizations to foster the achievement of Plan principles and management prescriptions. Local, state and federal agencies and public interests with knowledge and expertise in land and waterway management will be consulted throughout Plan implementation.

B. Principles for Land Management and Leasing

1. The Land Board and Division will categorize and manage state land based on the primary uses identified in the land classification system or in area management plans. Secondary uses (e.g. telecommunications sites, grazing, pipeline easements, public recreation, road rights-of-way) are allowed as long as they do not substantially interfere with the primary uses.
2. The Division will identify and actively manage transition lands (i.e., resource lands with future potential for non-resource uses, most frequently located near larger, fast-growing communities). The Division will develop site-specific prescriptions for each transition land parcel and periodically re-evaluate the prescriptions as site characteristics or conditions change. The Division will seek interim uses that fully utilize the current potential of the property, yet preserve and enhance the qualities that could attract more intensive utilization.
3. All parties proposing to use or occupy state land for commercial purposes must apply to the Division for written authorization, unless the use is specifically authorized by statute or administrative rule.
4. Leases will be considered to be and treated as cooperative business relationships between the Land Board and lessees. Lessees will be consulted on proposed activities affecting their authorized lease uses or proposed changes in lease terms and conditions. Lessees will have full responsibility to comply with all applicable laws and regulations, unless specifically relieved of that responsibility by lease terms and conditions.

5. Whenever possible, the Land Board will set rates for leases, easements, licenses, and other forms of use authorization that reflect a market pricing mechanism. All rates charged will be periodically reviewed and adjusted where justified by market trends.
6. Leases, except those involving waterway, mineral or grazing uses, will be offered through a competitive process, e.g., oral or sealed bids or "Request for Proposals." For waterways, competitive leasing will be utilized when upland owner preference rights are not exercised. Timber will be sold by competitive bid; other forest products may be sold by negotiated contracts. Rangeland grazing leases are currently renewed non-competitively on a year-to-year basis. Current litigation may affect future rangeland leasing procedures and bidding processes.
7. The Division will engage the private sector or other public agencies (e.g. ports) as property and lease managers and real estate brokers when cost-effective. The Division will increase marketing coordination with the Oregon Economic Development Department staff.

C. Principles for Land Improvement, Marketing, Acquisition and Disposal

1. The Land Board and Division will encourage lessees and other parties to make improvements to state land, consistent with lease purposes. However, any party proposing such improvements must receive Division authorization prior to making the improvement, and must agree to maintain the improvement in good working order for the length of the lease.
2. The Division, subject to Land Board approval, will invest capital in land improvements to the extent that the project meets acceptable financial return and risk criteria. In most cases, the Division will limit direct capital investments to value enhancement activities and soft investments (e.g., site planning, rezoning, acquisition of access, or participation in local improvement districts).
3. The Division will encourage the development of water resources (e.g., wells), where such activities will:
 - ◆ Not adversely impact existing uses, water quality or availability, and/or habitat;
 - ◆ Improve habitat; or
 - ◆ Increase the utility of state land.

Additionally, any required permits or water rights will be applied for, at the cost of the party making the improvements, in the name of the Division, unless otherwise agreed to by the Division.

4. The Land Board and Division will actively manage and market real estate identified for revenue-generating uses. Non-performing assets (i.e. an asset for which the net operating income [NOI] is negative; or for newly acquired investment lands, the rate-of-return is significantly less than comparable market rates) will be identified and strategies implemented to increase financial performance, reduce expenses, dispose of the assets, or retain them as non-performing assets. Real estate values will be periodically reviewed and updated.
5. Opportunities to acquire parcels available for sale or through other means (e.g., in-lieu selection or exchange), which have a high probability for appreciation in value and the ability to consistently generate revenue over the long term for the Common School Fund, will be evaluated and pursued. The acquisition of additional lands of any classification will be based upon direction in this Plan and the ability to obtain an appropriate rate-of-return on invested capital. Other factors to be considered include:
 - ◆ Ability to support multiple uses over time;
 - ◆ Management costs or capital expenditures required for site development, improvements, or infrastructure;
 - ◆ Proximity to urban areas likely to experience consistent growth (i.e. transition lands that have high potential for development); and
 - ◆ Location, accessibility and managability.
6. The Land Board and Division will thoroughly evaluate opportunities to sell or exchange its land, particularly, non-performing Trust Lands and, in rare cases, Non-Trust Lands. Sales and exchanges may be pursued, on a case by case basis, to:
 - ◆ Meet a management prescription;
 - ◆ Increase net operating income and contributions to the Common School Fund;
 - ◆ Reduce management costs; or
 - ◆ Increase management efficiency; e.g., the subject parcel is impacted or surrounded by special single-purpose management areas such as National Parks, National Monuments, wildlife refuges, wilderness areas and wild and scenic river corridors, thereby restricting uses of the parcel.
7. Public review and Land Board approval of proposed land sales or exchanges will be required. Criteria for evaluating the proposed disposal of land will include current and future value estimates and income potential; location, accessibility and manageability; natural, cultural and recreation resource assessments; alternative income-generating uses; expression of interest in exchange or purchase; and land status (i.e., Trust or Non-Trust).

D. Principles for Public Access and Recreation Use

1. The Division will allow public recreation on state lands when compatible with the objectives of the Asset Management Plan, and commensurate with public safety and the rights of lessees to use the subject land according to the provisions of their leases. Dispersed recreation and education opportunities will be emphasized. Regulations pertaining to public recreational use within specific areas may be established by the Land Board. Public access may be closed, restricted or limited to protect public safety; to prevent theft, vandalism and garbage dumping; to protect soils, water quality, plants and animals; or to meet other land management objectives or lease terms.
2. The Division will work with other government entities and interested persons to make accessible to the public special features or resources on state land consistent with the conservation and/or protection of the attribute.
3. The construction and operation of improvements to state land for recreational use will be permitted only with prior written authorization of the Division. Temporary overnight camping will generally be allowed; however, its location and duration may be controlled or restricted.
4. The commercial use of state land on an exclusive or long-term basis for recreation will be permitted only with prior written authorization from the Division. The Division will consider the uniqueness of a recreational site or opportunity, and availability and proximity of other, similar recreational sites and opportunities prior to allowing exclusive uses. Such uses include, but are not limited to:
 - ◆ Long-term camping within the same area, or use in lieu of a permanent residence;
 - ◆ Base camps or "permanent" overnight sites maintained and used continuously and exclusively by guides or organizations; or
 - ◆ Hunting reserves exclusive to members.

E. Principles for Unique Natural and Cultural Resources

1. In recognition of its stewardship responsibilities the Land Board will use appropriate measures and partnerships that are consistent with Trust and Non-Trust Land objectives to conserve cultural resources (e.g., historic, archaeological); unique geological and physical features; riparian resources; wetlands; wildlife habitat; and sensitive and threatened endangered plant, animal and aquatic species.

2. The Division, with assistance from the Natural Heritage Program, will identify areas with special natural features that may be eligible for recognition by the Natural Heritage Program. If conflicting uses are identified, the Division may seek funding to remove those lands from Trust designation (if applicable), exchange or transfer management of those lands to other entities equipped to maintain these features, or classify them as Special Interest Lands pending future transfer.
3. The Division, with the assistance of the State Historic Preservation Office, will establish a procedure to identify historic and archaeological sites and protect them at a level which, at a minimum, meets regulatory requirements. Actual inventory may take place during area management planning, or when site disturbing activities are planned or prior to land disposal.
4. The long-term protection and management of the state's wetland resources will be ensured through both regulatory and non-regulatory measures including:
 - ◆ Providing protection of wetlands and restoration sites;
 - ◆ Conserving and managing functions, and values, of wetlands;
 - ◆ Encouraging restoration of wetlands for watershed, water quality, and/or wildlife objectives, while accommodating necessary economic activities; and
 - ◆ Managing Oregon's wetlands through partnerships that improve communication, cooperation, and consistency among agencies, organizations and the public.
5. The long-term protection and management of State Scenic Waterways and Federal Wild and Scenic Rivers will be ensured through both regulatory and non-regulatory measures, including:
 - ◆ Protecting and enhancing scenic, aesthetic, natural, historic, archaeological, recreation, scientific, and fish and wildlife values along federal wild and scenic rivers and state scenic waterways through protection of the special attributes that caused the waterways to be included in the scenic waterway system;
 - ◆ Preserving federal wild and scenic rivers and state scenic waterways in their free-flowing condition and prohibiting dams, reservoirs, and impoundments;
 - ◆ Recognizing recreation, fish and wildlife uses as the highest and best uses of the waters within scenic waterways; and
 - ◆ Cooperating with other state, local and federal agencies, affected Indian Tribes, and other appropriate parties to achieve coordinated management and protection of state scenic waterway values.

V. RESOURCE-SPECIFIC MANAGEMENT PRESCRIPTIONS

Management prescriptions include land management and investment principles and strategies, and define allowed and prohibited uses on lands managed by the Land Board and Division. They are specific to each individual land class and provide an interim level of guidance until more refined management direction is developed in area management plans. As a group, they provide a balance of measures to enhance Common School Fund revenues and improve stewardship of public lands.

A. FOREST LANDS

The Land Board administers approximately 133,000 acres of forest lands (approximately six percent of its total holdings). These lands, located primarily in western Oregon, are referred to as Common School Forest Lands and are managed by the Oregon Department of Forestry (DOF) for the Division. Approximately 85,000 acres are located in the Elliott State Forest in Coos and Douglas counties. The remainder is in the Sun Pass State Forest in Klamath County and in small tracts scattered throughout western and eastern Oregon. Many of these scattered tracts are adjacent to other forest tracts managed by the DOF, BLM or US Forest Service. All forest lands are Trust lands. Forest lands, in the aggregate, are the highest valued real estate in the Division's portfolio and their disposal should be avoided as a general rule. However, in the case of some scattered tracts, divestment may be a reasonable strategy.

The following management prescriptions will be applied to forest lands:

1. Forest lands are to be managed primarily to produce a sustainable, even-flow harvest of timber, subject to economic, environmental and regulatory considerations, according to specific plans developed by forest managers. These plans will be prepared by the land manager (e.g., Department of Forestry) or the Division and approved by the Land Board.
2. Forest health practices will be incorporated into the management of forest lands to reduce or prevent significant losses from insects, diseases, animals and other similar threats.
3. Forest land management costs and revenues will be periodically reviewed to ensure maximum effectiveness and efficiency and, that, to the extent possible, they are comparable to those of other forest managers for similar forest lands and activities and management intensities. Greater management costs will be acceptable where justified by increased productivity and returns-on-investment.
4. Improvements to forest lands (e.g., road building to improve access, pruning, fertilizing, pre-commercial thinning) will be subject to appropriate investment standards and return analyses.

5. Scattered tracts of forest land, particularly those identified by the Division and the Oregon Department of Forestry as "marginal" lands (e.g., lands with low productivity or high management costs), will be evaluated for exchange, sale or reclassification.
6. The acquisition of additional forest lands will be targeted to western Oregon and the Klamath Basin and subject to appropriate investment standards and return analyses.

B. AGRICULTURAL LANDS

The Land Board administers and leases 5,227 acres of agricultural lands (less than one percent of its total holdings) located primarily in the central and eastern portions of the state. A total of 12 agricultural leases in Clackamas, Curry, Gilliam, Jefferson, Lake, Malheur, Marion and Morrow Counties range in size from 40 to 2,000 acres. Most agricultural lands are Trust lands.

The following management prescriptions will be applied to agricultural lands:

1. Agricultural lands are to be managed primarily for the production of agricultural commodities.
2. The conversion of lower value land (e.g., rangelands) to agricultural land will be encouraged if such a change in use does not result in significant adverse impacts to watersheds, and natural and cultural features and meets appropriate investment standards and return analyses.
3. Lessees will be encouraged to undertake improvements to agricultural lands to improve productivity. The Division may participate in such improvements when they meet the appropriate investment standards and return analyses.
4. Where return on investment warrants, the Division should pursue water rights sufficient to serve irrigation and other needs for water associated with standard farming practices.
5. The acquisition of agricultural lands, with an emphasis on the Willamette Valley or other major agricultural centers, will be considered for future investment.

C. RANGELANDS

The Land Board administers approximately 638,000 acres of rangelands (27 percent of its total holdings), all in eastern Oregon. Approximately 545,000 acres (85 percent) are blocked into consolidated holdings in Lake, Harney, and Malheur Counties, with the

remainder being small, isolated parcels. The Division leases approximately 617,000 acres, with 44 large-parcel leases on its blocked lands and 107 smaller parcel leases on its isolated tracts. Almost all rangelands are Trust lands, with only about 25,000 acres being Non-Trust lands.

The following management prescriptions will be applied to rangelands:

1. Rangelands will be managed to ensure sustained forage yields for livestock grazing consistent with best management practices. Grazing levels may be adjusted, in consultation with lessees, on both Trust and Non-Trust lands to protect rangeland health and the long-term value of the land.
2. The Land Board and Division will seek to:
 - ◆ Periodically review and, as appropriate, adjust lease rates;
 - ◆ Where possible, reduce expenses and contain management costs; and
 - ◆ Periodically review administrative rules to improve program efficiency and effectiveness.

The Board recognizes that the potential for a positive net operating income (NOI) from the leasing of rangelands for grazing is unlikely in the short term given current management costs, lease rates, and cattle prices. It also recognizes the integral relationship many of the leaseholds have to lessees' deeded land and BLM grazing allotments for cattle ranching operations in southeastern Oregon.

3. The Land Board and Division may authorize alternative uses for a leasehold, even if the leasehold is already subject to a rangeland lease for grazing or an alternative use, if such uses are:
 - ◆ Not specifically prohibited by an existing lease; and
 - ◆ Compatible, or do not unreasonably interfere, with uses previously authorized on the same leasehold.
4. Rangelands will be managed to prevent human-induced loss of rangeland health. Toward this end, the Division:
 - ◆ Will work cooperatively with lessees to continue to implement rangeland practices that maintain, achieve or restore healthy, properly functioning ecosystems and maintain, restore, or enhance water quality; and
 - ◆ Assist in rangeland developments and practices that will maintain or improve rangeland health, including forage yield, where consistent with Land Board investment standards and environmental objectives.
5. A rangeland management plan will be developed by the Division, in cooperation with the lessee, for each leasehold and be made part of the grazing lease. The plan will:

- ◆ Describe animal grazing scheduled by pasture or leasehold; establish the initial grazing capacity; identify riparian areas, wildlife habitat, special natural, archaeological or cultural features, and threatened or endangered species; describe any special provisions necessary to protect said features and species; and list any Division-authorized improvements;
- ◆ Be annually reviewed by the Division, and if necessary, updated to determine lessee compliance with the plan's terms and conditions, and to establish the effectiveness of the plan;
- ◆ Be consistent with any state or federal watershed management plans or strategies which may address the area; and
- ◆ Be made available for public and agency comment pursuant to the Division's State Agency Coordination Program.

Due to the large number of current leases, the Division will develop rangeland management plans in phases. Initially, plans will be developed and adopted for larger leaseholds and those containing significant wetland areas or which are important to achieve watershed management objectives.

6. The Land Board and Division will honor the terms and conditions of any existing valid lease, including any that entitle the lessee to compensation or renewal. Such circumstances may occur where there were prior federal grazing permits on lands acquired by the Land Board through exchange.
7. Capital investments by the Division will generally be limited to those necessary to protect the value of the land. Cost sharing with lessees or other agencies will be encouraged.
8. Rangeland improvements must be approved pursuant to the rangeland management plan and lease agreement. All improvements, including fencing, will be designed, constructed and maintained to avoid adverse effects on wildlife populations and on hunting, trapping, and other recreational uses.
9. Consistent with legislative direction in SB 1132 (1995), isolated parcels of Trust rangelands will be considered for disposition (i.e., sale or exchange). Isolated parcels are:
 - ◆ Largely surrounded by land not owned by the Land Board or not contiguous to other larger tracts of state land; or
 - ◆ Difficult or uneconomical to manage due to access, location, isolation, low production value or similar factors.

The Land Board and Division shall establish a sale procedure for isolated parcels of rangelands that is efficient and cost-effective.

D. INDUSTRIAL/COMMERCIAL/RESIDENTIAL (ICR) LANDS

The Land Board owns approximately 556 acres of ICR lands (less than one percent of its total holdings), including the North and South Tongue Point marine industrial sites in Clatsop County and Dibblee Point in Columbia County; its office building in Salem (Marion County); undeveloped residential sites in Bend and West Linn (Deschutes and Clackamas Counties); and an undeveloped site near the Prineville airport (Crook County). Three of these sites (the North and South Tongue Point marine industrial sites and the office building) are currently under lease. ICR lands are a mixture of Trust and Non-Trust lands.

The following management prescriptions will be applied to ICR lands:

1. ICR lands will be managed for non-resource uses (e.g., development). With the exception of rock resources, mineral uses will generally not be permitted.
2. Individual management plans will be developed for all ICR lands. Generally, flexibility will be exercised in managing these lands to obtain the highest possible rate-of-return on asset value consistent with Trust or Non-Trust obligations. (Examples include joint venture leases, with "master leases" or individual leases solicited through a Request for Proposals process, or outright sale or exchange.) Sale or lease decisions will be included as part of the management plan and approved by the Land Board.
3. The Division will set lease rates for ICR properties based on comparable market lease rates.
4. Improvements and acquisitions of ICR properties should strive to exceed market rates-of-return, while recognizing that initial investments may not result in short-term value increases. The Division may invest in both soft improvements (e.g., zoning permits) and infrastructure improvements on ICR lands to the extent that investments result in long-term value increases and enhanced income generating capability and are consistent with investment standards and return analyses.
5. The sale or exchange of ICR lands will be considered under the following circumstances:
 - ◆ There is no foreseeable reason to retain the property based on the goals and objectives of the Asset Management Plan; and
 - ◆ Sale or exchange of the property will provide a rate-of-return in excess of the property's cost basis (where applicable) plus reasonable projected appreciation in value.

6. The Land Board will consider acquisition or exchange for ICR properties within urban growth boundaries and transition areas, based upon the following priorities:
 - a) Surplus properties of other agencies;
 - b) Exchange properties from other agencies; and
 - c) Vacant, undeveloped, privately owned properties.
7. The Division will seek partnerships with the Oregon Economic Development Department, ports, local governments and other appropriate parties in planning for, marketing, managing and improving ICR lands.

E. SPECIAL INTEREST LANDS

This land class may stand alone or be an overlay on other land classes. It includes unique aquatic and wildlife habitat, State Scenic Waterways, federal Wild and Scenic River areas, special natural and cultural resources, and recreation lands (lands whose primary use is recreation). In addition, lands with future revenue potential may be "land banked" in this classification. This class will most frequently be evaluated and applied through the area management planning process as the result of site-specific inventories.

Currently, this class includes only four 40-acre rural cabin sites at Lake Owyhee in Malheur County. More lands may be classified as Special Interest lands during the area management planning process or upon further review of the Land Board's ownerships.

The following management prescriptions will be applied to Special Interest lands:

1. Special Interest lands will be managed primarily to ensure the protection of unique scenic, wildlife, cultural, natural or recreation values. Revenue generation activities will generally be permitted only if they do not adversely impact these values.
2. The Division will manage wildlife habitat to sustain wildlife populations or communities. These areas may be classified as Special Interest lands. When there are apparent conflicts between meeting the wildlife habitat and Trust management objectives, the Division will seek balanced solutions, partnerships and policies to resolve conflicts.
3. The Land Board and Division will establish, as necessary, special management prescriptions through the area management planning process to ensure the protection of unique scenic, cultural, natural and recreational features, as well as watersheds and sensitive, threatened, and endangered species on its land. The management plan will describe what use(s) can occur within the subject area, and

what specific management actions will be required to protect the subject feature or resource.

4. Where Special Interest lands constitute a significant land area of Trust land and where revenue generating uses conflict with the identified resource values, the Division, with Land Board approval, may transfer management, either by agreement or by sale or exchange, to another agency or entity better equipped to protect the resource and the public interest values. Size and manageability of the area are key factors in determining the disposition of these areas.
5. The Division may invest in improvements, resource inventories, and planning to resolve lease use conflicts, reduce impacts and increase revenues, particularly for lands that hold promise for future development and are "banked" in the Special Interest classification.
6. Additional Special Interest lands will only be acquired if they offer future use potential for revenue generation or can be acquired with Non-Trust monies and set aside for a particular Non-Trust purpose (e.g., wetland mitigation banking.)

F. WATERWAYS

The Land Board has jurisdiction over approximately 800,000 acres of waterways (34 percent of its total holdings) in two broad classifications: the Territorial Sea and submerged and submersible lands. The Territorial Sea extends three miles off the coastal shoreline. Submerged and submersible lands include all navigable and tidally influenced waterways. The State also has claim over lakes that are navigable. Waterways are Non-Trust lands.

The Division leases 1,815 acres of waterways or adjacent uplands for commercial uses under four lease types: waterway leases, sand and gravel leases and permits, hydroelectric leases, and mariculture leases. There are currently 401 properties under lease located on 47 bodies of water in 17 counties, with leasing activity concentrated along the Columbia and Willamette Rivers and coastal waterways.

The Waterways classification covers a vast area. The concept of state ownership of waterways was established by the federal legislation which admitted the State of Oregon to the Union in 1859. Public rights of fishing, navigation and commerce are "Public Trust" interests that apply to all tidelands, shorelines, navigable waters and underlying beds. The extent of public waterway ownership is determined in two ways -- by tidality and by navigability. By tidality, all lands subject to the ebb and flow of the tides are publicly owned. In some cases, lands between ordinary high and low tide on tidelands have been sold to private interests.

Public ownership via the navigability test is based upon whether the waterway was used or susceptible to use, in its ordinary condition, as a highway of commerce over which trade or travel occurred or could have been conducted in the customary modes of trade and travel on water at the time of statehood. On major rivers and bays, tidality and navigability are clearly evident. In the case of smaller streams and lakes, the extent of navigability is sometimes more difficult to determine and depends on historical evidence of use and conditions at the time of statehood.

The following management prescriptions will be applied to waterways:

Navigable and Inland Tidal Waterways

1. Submerged and submersible lands on navigable and tidal waterways are to be managed to ensure the collective rights of the public to fully use and enjoy them for commerce, navigation, fishing, recreation, and other related public purposes (referred to as the Public Trust Doctrine). All uses of state submerged and submersible land must conform to local, state, or federal laws, and must be determined to be appropriate to the location and compatible with other existing uses.
2. Consistent with state law, the Land Board and Division will seek to identify, assert ownership of, and protect rivers, lakes, and other bodies of water to which the state has a valid ownership claim based on their susceptibility to tidality or navigability, and ensure the public's right of use of said waters. The Land Board and Division will also seek to resolve ownership claims to submerged and submersible land under navigable or tidal waters.
3. The Division will not permit lessees or others to unreasonably interfere with the public's right of navigation, commerce or fisheries along publicly owned waterways.
4. The Division will engage appropriate private sector entities and public agencies (e.g., port districts, counties, cities, etc.) as property and lease managers, or real estate brokers when cost-effective.
5. The Division will actively pursue leases for unauthorized uses and for unleased lands, with a focus on the potential leasing of higher rent activities on major waterways in urban areas.
6. The Division will identify and bring under lease existing hydropower facilities located on publicly owned submerged and submersible lands. The Board will review and revise lease rates for hydropower facilities to reflect market values.

7. The Division will evaluate methods for calculating lease rates for submerged and submersible lands and resources to ensure that the state receives fair compensation reflective of local market conditions. A task force will be appointed by the Land Board to assist with this effort.
8. The Division will consider leasing existing filled lands. The sale of such lands will be pursued on a case-by-case basis and only if no interest in leasing is expressed.
9. The acquisition of adjacent uplands may be pursued in order to facilitate the development of prime waterfront locations as CSF investments, subject to investment standards and return analyses.
10. The Division will market the commercial use of submerged and submersible lands based on compatibility with resource stewardship and Public Trust goals. Planning and marketing efforts will be coordinated with local and state economic development efforts.

Territorial Sea

1. The Land Board and Division will manage state land within the Territorial Sea in accordance with the provisions of the Oregon Ocean Resources Management Plan; ORS 196 and ORS 197; the Statewide Planning Goals, specifically Goal 19; and other state and federal policies and regulations.
2. All persons desiring to use state land within the Territorial Sea for exclusive and/or commercial purposes (for example, placing docks or other structures on, or planting or harvesting kelp, seaweed, or animals attached to the sea floor bottom) will be required to obtain an easement, lease or license from the Division before undertaking the activity.

G. MINERALS

The Division manages the mineral rights on Land Board lands, as well as those on lands managed by other state agencies. In addition, the Land Board administers approximately 753,000 acres (32 percent of its total holdings) of subsurface mineral rights (split estate). This does not include 410,000 acres of land with both surface and subsurface rights that are involved in other land classes. The Division currently has 54 mineral leases for mining gravel, rock and diatomite deposits, as well as 10 exploration permits. Most mineral lands are Trust lands and revenues from all mineral leases, as well as mineral management fees for lands owned by other state agencies, accrue to the Common School Fund.

Mineral classification will be applied to all parcels with surface or subsurface mineral ownership interest, subject to mineral development, exploration or use. This

classification will often be applied as an overlay to another Division land classification or as a stand-alone classification. The mineral classification would also be appropriate as an overlay on certain waterway areas that contain identified mineral resources.

The following management prescriptions will be applied to Land Board-owned mineral lands:

1. Land owned by the Land Board will be open to mineral exploration and development subject to existing laws, regulations and management plans. Land will be open to mineral activity unless the proposed use would:
 - ◆ Have significant adverse and non-mitigatable impacts on watershed integrity, and natural (for example, habitat, wetlands, etc.), cultural, and archaeological features;
 - ◆ Substantially conflict with, or preclude existing or future uses of the subject land that offer a higher return;
 - ◆ Interfere with the public trust uses of Non-Trust land; or
 - ◆ Be located within a federal Wild and Scenic River, State Scenic Waterway, or similarly designated area, and the proposal would not be permitted under the appropriate management plan.
2. The Land Board will establish and periodically review fees for mineral exploration and leases and royalties for mineral production to ensure appropriate market rates.
3. The Division will encourage mining and energy companies to explore for minerals on Trust lands.
4. Prior to investing in a mineral exploration or development project, or acquiring a known mineral property, the Division will conduct a rigorous geological evaluation and financial analysis of the proposed venture. Because the exploration and development of most mineral resources is an inherently high risk endeavor, the Division will seek a commensurably high rate-of-return from investing in such properties or projects.
5. As a general rule, the Land Board will retain all of its mineral interest ownerships unless a geologic evaluation reveals no or extremely limited mineral potential. Land Board may exchange mineral rights with the Bureau of Land Management on split estate lands when it results in equivalent mineral potential.

VI. IMPLEMENTATION

Following Plan adoption, a detailed implementation plan will be developed for Land Board review in 1996. Public and stakeholder involvement will be critical to ensuring an effective, realistic and achievable implementation plan. To that end, the Land Board and Division will work closely with lessees, interest groups and the general public in developing proposed implementation measures. The implementation plan will include both overall and resource-specific measures to be carried out during the next three biennia (1995-97, 1997-99, and 1999-2001).

Key implementation measures will include:

◆ *Area Management Plans*

Area management plans will be developed for key areas. These plans will discuss options for land uses, how different land uses will be accommodated, and what principles will guide their use and development. In deciding what lands to target for area management planning, the Division will place priority on the following:

- (a) Lands identified in the Asset Management Plan as most appropriate for evaluation for sale or exchange and transition lands;
- (b) Industrial/Commercial/Residential Lands; and
- (c) Other lands with high potential for increased revenue generation and planning areas being addressed by other agencies in which Division holdings have revenue potential or high public interest. These could include southeast Rangelands (i.e., large blocked tracts) or key Waterways (e.g., Multnomah Channel).

◆ *Investment Standards*

Investment standards will be established to help the Land Board and Division judge the value of proposed land acquisitions and capital improvements.

◆ *Forest Management Cost Evaluation*

The Division, in cooperation with the Department of Forestry, will review management costs to ensure maximum effectiveness and efficiency. Comparability of costs to other forest managers will be investigated. The costs and benefits of increasing management intensity will also be evaluated.

◆ *Scattered Forest Tracts Evaluation*

The Division, in cooperation with the Department of Forestry, will identify those scattered tracts of forest land considered to be marginal or in need of greater

management attention. Marginal lands will be evaluated for exchange, sale or reclassification. A sale procedure will be developed, if needed.

◆ ***Isolated Rangeland Disposal Evaluation***

The Division will develop a pilot Rangeland disposal program involving a limited number of unleased and leased isolated tracts. A pre-sale analysis will be conducted for each site to determine if any significant environmental, cultural or historical resources are present. The value of each parcel and potential interest in purchase or exchange will also be determined. If warranted, parcels may be reclassified or not offered for disposal. Parcels cleared for sale will be offered according to a sales procedure developed during plan implementation and approved by the Board. Land exchanges will also be considered as part of the evaluation.

◆ ***Grazing Fees Advisory Committee***

The Governor will appoint a Grazing Fee Advisory Committee as required by HB 3239 (1995) to evaluate the Rangeland lease rates and recommend changes to the Land Board, if necessary.

◆ ***Classification Criteria for Special Interest Lands***

The Division will develop criteria and policies for the identification, classification and management of Special Interest lands to be applied during the area management planning process.

◆ ***Strategies to Bring Unauthorized Waterway Users Under Lease***

Strategies to be pursued by the Division will include identifying unauthorized uses, evaluating the economic feasibility of bringing these uses under lease, and initiating rule-making to provide more effective tools for bringing such uses under lease.

◆ ***Waterway Leasing Program Evaluation***

A task force, comprised of lessees and other interested parties, will be established to undertake a comprehensive review of lease rates, terms and procedures.

◆ ***Cooperative Agreements With Ports and Other Entities for Management of Waterways***

Such cooperative agreements will be developed with the primary goals of increasing revenues from waterway leases while maintaining access and other public interests.

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◆ ***Mineral Ownerships Mapping***

The Division will continue to work with the Oregon Department of Geology and Mineral Industries to map its mineral ownerships in order to provide more comprehensive information to other agencies and those interested in mineral exploration.

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