



Oregon

Kate Brown, Governor

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Department of State Lands

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State Land Board

STATE LAND BOARD

August 14, 2018

10:00 am – 12:00 pm

Oregon Department of State Lands

Land Board Room

775 Summer St NE

Salem, Oregon

Kate Brown

Governor

Dennis Richardson

Secretary of State

Tobias Read

State Treasurer

AGENDA

Consent Items

1. Request for approval of the minutes of the June 12, 2018 State Land Board meeting.

Action Items

2. Amended Budget Request
3. South Redmond Tract

Informational Items

4. Update on RFI for Forest Land Management
5. Other

Livestream available at: <https://www.youtube.com/channel/UCQA7FHTWwl-qjJkQeYPJ1IA>

This meeting will be held in a facility that is accessible for persons with disabilities. If you need assistance to participate in this meeting due to a disability, please notify Arin Smith at (503) 986-5224 or arin.n.smith@state.or.us at least two working days prior to the meeting.

Continued on next page

Public Testimony - The State Land Board places great value on information received from the public. The Board accepts both oral and written comments on **consent and action agenda items only**.

When providing testimony, please:

- Provide written summaries of lengthy, detailed information
- Recognize that substance, not length, determines the value of testimony or written information
- Endorse rather than repeat the testimony of others

Written comments may be submitted before or during the meeting for consideration by the Board. To speak at the meeting, you must sign in on the sheet provided at the information table located near the meeting room's entrance. The standard time limit is three minutes for each individual. The Board cannot accept testimony on a topic for which a public hearing has been held and the comment period has closed.



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State Land Board

The State Land Board (Board) met in regular session on June 12, 2018, in the Land Board Room at the Department of State Lands, 775 Summer Street NE, Salem, Oregon.

Present were:

Kate Brown
Dennis Richardson
Tobias Read

Governor
Secretary of State
State Treasurer

Kate Brown
Governor

Dennis Richardson
Secretary of State

Land Board Assistants

Jason Miner
Steve Elzinga
Ryan Mann

Governor's Office
Secretary of State's Office
State Treasurer's Office

Tobias Read
State Treasurer

Department Staff

Vicki Walker Bill Ryan
Lee Hullinger Arin Smith

Jean Straight Julie Curtis
Anne Friend Chris Castelli

Department of Justice

Matt DeVore

Governor Brown called the meeting to order at 10:00 a.m. The topics discussed, and the results of those discussions are listed below. To view the Land Board meeting in its entirety, please visit our YouTube page: https://www.youtube.com/watch?v=mjAbJs_uFpA

STATE LAND BOARD AWARDS

10:00 a.m.

Prior to the start of the regular meeting, the Board presented its annual awards. Governor Brown gave a brief history of the awards before they were presented. The Stream Project Award was presented by Treasurer Read for the Willamette Confluence Restoration project. The Partnership Award was presented by Secretary Richardson to Tenmile Lakes Basin Partnership. Photos were taken of the award recipients with the Board members.

In addition to the awards ceremony, the Board presented a Common School Fund Champion Award to Gerry Hutson for her work that resulted in a \$50,000 benefit to the Common School Fund.

Retiring Communications Manager, Julie Curtis was also presented with a letter of appreciation for her years of service to the Board and the State of Oregon.

Consent Agenda

10:15 a.m.

Director Walker briefly described the items on the consent agenda.

- 1. Request for approval of the minutes of the April 10, 2018, State Land Board meeting.**
- 2. Request for approval to grant a permanent easement for a bridge crossing and associated submerged operations cable crossing Youngs Bay, in Sections 13, 14 and 23 of Township 08 North, Range 10 West of the Willamette Meridian in Clatsop County.**
- 3. Request for approval to determine whether any interest remains vested in the State of Oregon, with respect to historically filled lands on the Chetco River, Curry County.**
- 4. Request for approval to initiate the review and determination of the sale of the Bear Creek property in fee simple, a 158-acre tract in Wallowa County located at Township 1S Range 42E, Section 16, Tax Lot 1101.**
- 5. Request for approval to amend the Elliott State Forest Reciprocal Easement Agreement, a permanent easement, to add use of a DSL-owned 40-foot-wide Right-of-Way existing as a portion of the Elk Ridge (#1000) Road located on Common School Forest Land in Section 13, Township 23 South, Range 10 West, W.M., Douglas County.**

Treasurer Read made motions to approve Items 1, 3, and 5.
Secretary Richardson seconded the motions.

Secretary Richardson made motions to approve Items 2 and 4.
Treasurer Read seconded the motions.

There were no objections to these motions. The final item on the Consent agenda was approved at 10:24 a.m.

Action Items

10:25 a.m.

- 6. Request for approval of the direct sale of 63.1 acres of subsurface minerals and geothermal rights located in Marion County.**

Secretary Richardson made a motion to approve item 6.

Treasurer Read seconded that motion.

There were no objections to this motion. The item was approved at 10:26 a.m.

7. Oregon Department of Forestry Budget Request

10:37 a.m.

Director Walker invited Oregon Department of Forestry Director Peter Dougherty up to discuss ODF's budget request. He was joined by Ron Zilli, Assistant District Forester. Director Dougherty briefly reviewed ODF's work on land management of State forests. Ron Zilli then reviewed the proposed budget request for the 19-21 biennium for the management of Common School Fund forest lands.

Comments and questions were taken from the Board.

Director Walker recommended that the Board approve the budget as presented but allow DSL to do a Request for Information (RFI) to review alternatives for state forest land management that may be less costly to the Common School Fund. An update will be presented at the next Land Board meeting.

Treasurer Read made a motion to approve item 7, along with Director Walker's recommendation.

Secretary Richardson seconded that motion.

There were no objections to this motion. The item was approved at 10:41 a.m.

8. Updated Annual Report on Common School Fund investments and distributions

10:42 a.m.

Director Walker invited representatives for the Oregon Investment Council to come up and present the Common School Fund Annual Report. Janet Becker-Wold, with Callan Investments, went through the report in detail.

Comments were taken from the Board members.

Treasurer Read made a motion to approve item 8.

Secretary Richardson seconded that motion.

There were no objections to this motion. The item was approved at 10:58 a.m.

9. Request for approval to submit the Department of State Lands' proposed 2019-21 budget request.

10:59 a.m.

Director Walker presented DSL's 2019-21 proposed budget request and its policy option packages.

Comments and questions were taken from the Board members.

Treasurer Read made a motion to approve item 9.

Secretary Richardson seconded that motion.

There were no objections to this motion. The item was approved at 11:16 a.m.

10. Other

11:17 a.m.

Director Walker gave a brief update on Jordan Cove and their application status. The Director also reviewed the Memorandum of June 8, 2018, outlining the responsibilities and authorities of DSL and the State Land Board regarding the Jordan Cove application.

11:30 a.m.

The Governor opened the floor for public comment. The public comment received was related to the Jordan Cove energy project.

Governor Brown adjourned the meeting at 12:00 p.m.

Kate Brown, Governor

Vicki L. Walker, Director



Oregon

Kate Brown, Governor

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State Land Board

Kate Brown

Governor

State Land Board

Regular Meeting

August 14, 2018

Agenda Item 2

Dennis Richardson

Secretary of State

Tobias Read

State Treasurer

SUBJECT

Request for the addition and approval of Package 115 to the earlier submittal to the Department of State Lands' proposed 2019-21 budget request on June 12, 2018.

Package 115: Position Reclassification

The 2014-15 Oregon Management Classification Study conducted an analysis of the Department's management services and management support positions with respective duties and responsibilities. The study identified gaps in the Department's structure and recommended the reclassification of fourteen positions (thirteen management services positions and one executive support position). Over the past two biennia, the Department has reclassified six of the management positions when internal financing was available to permanently fund the reclassifications. The Department now requests approval to reclassify the seven remaining management services positions and one executive support position to ensure the Department's positions are aligned and classified appropriately in the 2019-21 biennium.

Total amount: **\$0** Other Funds

RECOMMENDATION

The Department of State Lands recommends that the Land Board approve the addition of Package 115 to the earlier submittal of the DSL budget, including approved policy option packages 101-111 and policy option packages 113-114 on June 12, 2018.



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State Land Board

State Land Board

**Regular Meeting
August 14, 2018
Agenda Item 3**

Kate Brown
Governor

Dennis Richardson
Secretary of State

Tobias Read
State Treasurer

SUBJECT

Request for approval to continue the planning process on the South Redmond Tract by submitting applications to expand the Urban Growth Boundary and for Annexation of the property into the jurisdiction of the City of Redmond, and by applying Large Lot Industrial zoning designation to the property. Request for approval to partition two parcels from the larger parcel for a land exchange with Deschutes County and a land sale to Oregon Military Department.

ISSUE

Whether the State Land Board should approve a request to authorize submission of land use planning applications, including the subsequent application fees, to the City of Redmond and Deschutes County; to expand the Redmond Urban Growth Boundary, Annex the property into the City of Redmond, and apply the Large Lot Industrial zoning designation.

Also, whether the State Land Board should authorize the funding of infrastructure obligations to satisfy City of Redmond Community Development requirements and State of Oregon Large Lot Industrial special designation requirements associated with the land use planning applications.

Also, whether the State Land Board should authorize the department to partition two parcels from the larger lot.

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 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.

OAR 141-067; relating to the sale, exchange and purchase of state land.

Central Oregon Area Management Plan (COAMP), adopted by the Land Board; October 2011.

Real Estate Asset Management Plan (REAMP), adopted by the Land Board; February 2012.

BACKGROUND

The Department has been pursuing the strategy to convert 945 acres of DSL land to urbanized land, inside the boundaries of the City of Redmond, since acquiring the property in 2008. When the tract was transferred by the BLM, the tract was described as being 945.33 acres which DSL rounded to 945 acres. The Deschutes County assessor's plat map describes the tract as being 951.7 acres. The appraisers used 951.7 acres for their valuation as is protocol for appraisals. Until the property is surveyed, the exact acreage is unknown.

In collaboration with partners Deschutes County, the City of Redmond, and the Oregon Military Department (OMD), DSL staff and contracted consultants have prepared plans for a Deschutes County Fairgrounds expansion, a new Oregon Military Department / National Guard Readiness Center, and a Large Lot Industrial special use designation for the remainder of the property to facilitate sale to a private industrial user or users in the future.

DSL acquired the property in 2008 from the US Bureau of Land Management as in-lieu land it was owed for its initial state constitutional land grant. During the time the BLM managed it, some of the land was used by the U.S. National Guard and Oregon Military Department for training purposes. Besides occasional military training, the property has never been developed, farmed or irrigated for agriculture purposes, and has Class VII & VIII soils.

At the October 2008 Land Board meeting, the South Redmond Tract Land Use and Management Plan was approved by the Board. The Plan recognized the need within the Central Oregon region for large lot industrial land. The Plan also identified Deschutes County's desire to expand the county fairgrounds on the property as well as providing the Oregon Military Department with a site for a new Readiness Center.

In 2012, new state land use legislation was passed that allows land to be added to a city's Urban Growth Boundary if there is a demonstrated regional need for a specific type of land, such as Large Lot Industrial land. A coalition of planners from Crook, Jefferson and Deschutes County and the cities of Madras, Prineville, Bend, Redmond and Terrebonne pooled their resources to have a study done that demonstrated the need for Large Lot Industrial land in the region to diversify the employment base. The study concluded that the Central Oregon area needed Large Lot Industrial land with acreages over 50 acres.

DSL has engaged in a professional services contract since 2015 with urban planning firm, Angelo Planning Group, to prepare the land use applications to master plan the South Redmond Tract for expansion of the Redmond Urban Growth Boundary and complete an Annexation Agreement to incorporate the property into the Redmond city limits. Deschutes County and Oregon Military Department intend to acquire the most northerly 160 acres. The remaining 785 acres would be designated Large Lot Industrial and annexed into the city. The applications for the Urban Growth Boundary Expansion, Annexation into Redmond city limits, and the application of the Large Lot Industrial zoning designation described above are complete and fully prepared for submission to the local jurisdictions upon authorization.

South Redmond Tract Timeline since acquisition in 2008 from BLM:

- 2008 South Redmond Tract management plan approved by State Land Board (Oct.)
- 2010 Large Lot Industrial (LLI) concept for three counties developed
- 2011 Large Lot Industrial Concept study – Economic Opportunity Analysis completed
- 2011 Deschutes County revises Comprehensive Plan to accommodate LLI
- 2013 City of Redmond revises Comprehensive Plan to accommodate LLI
- 2014 DSL enters into agreements with Deschutes Co. and OMD for exchange of lands for the county fairgrounds expansion, and a property sale for the OMD Readiness Center
- 2015 DSL enters MOU with City of Redmond committing to LLI designation
- 2015 APG planning consultants contracted for project
- 2017 Land Use Applications preparation
- 2018 New appraisal executed for accurate valuation
- 2018 State Land Board review and Department recommendation to complete the project as planned

VALUATION AND APPRAISAL NEEDS ANALYSIS

The Property was appraised by Phillip Hanshew, MAI and Evan Abramowitz of BBG, Inc. Because of the size of the property, the appraisers evaluated it with three separate valuation scenarios: hypothetical aggregate retail value, "As-Is", and prospective value

upon annexation. For the hypothetical aggregate retail value, the appraisers determined the retail value of the land as individual lots as compared to other large lot industrial sales in the area. The aggregate retail value is the total value of the land, sold as individual lots ranging in size from 124 acres to 200 acres. This value is \$18,800,000.

They considered its current "As-Is" value by discounting the lot sales over time. The 17% rate used to discount the lot sales considers the time value of money (inflation and risk) and the amount of return a developer would expect to make with this type of project. Based on market absorption in the area, it is expected that the lots will sell over a period of 14 years with lot sizes ranging from 124 acres to 200 acres. The total lot sales are then discounted over time to reflect the developer's expected return for buying the property now in As-Is condition. Based on the appraisers' revised August 3, 2018 appraisal, the property's "As-Is" value is \$6,000,000.

The revised value after annexation is estimated at \$8,100,000 which reflects a higher value because the expenses for annexation have been paid and a higher value per acre sale price is anticipated.

An expenditure of approximately \$200,000 is expected on the land use application fees, and approximately \$2.6 million is estimated for DSL's obligations to install base level infrastructure to serve the property, as required by City and County Codes and the Large Lot Industrial Designation. The Department anticipates the pre-development costs would be covered by the sale of the first 150 acres of the property.

The investment will provide DSL with a healthy return to the Common School Fund as well as help to provide the Central Oregon region with much needed Large Lot industrial land to attract higher-paying manufacturing jobs. If the property is sold within the projected time frame, the internal rate of return on the property will be 13.5% per year.

RECOMMENDATION

Based upon the work completed by multiple partners over a 10-year period, the Department of State Lands recommends the Land Board approve the following:

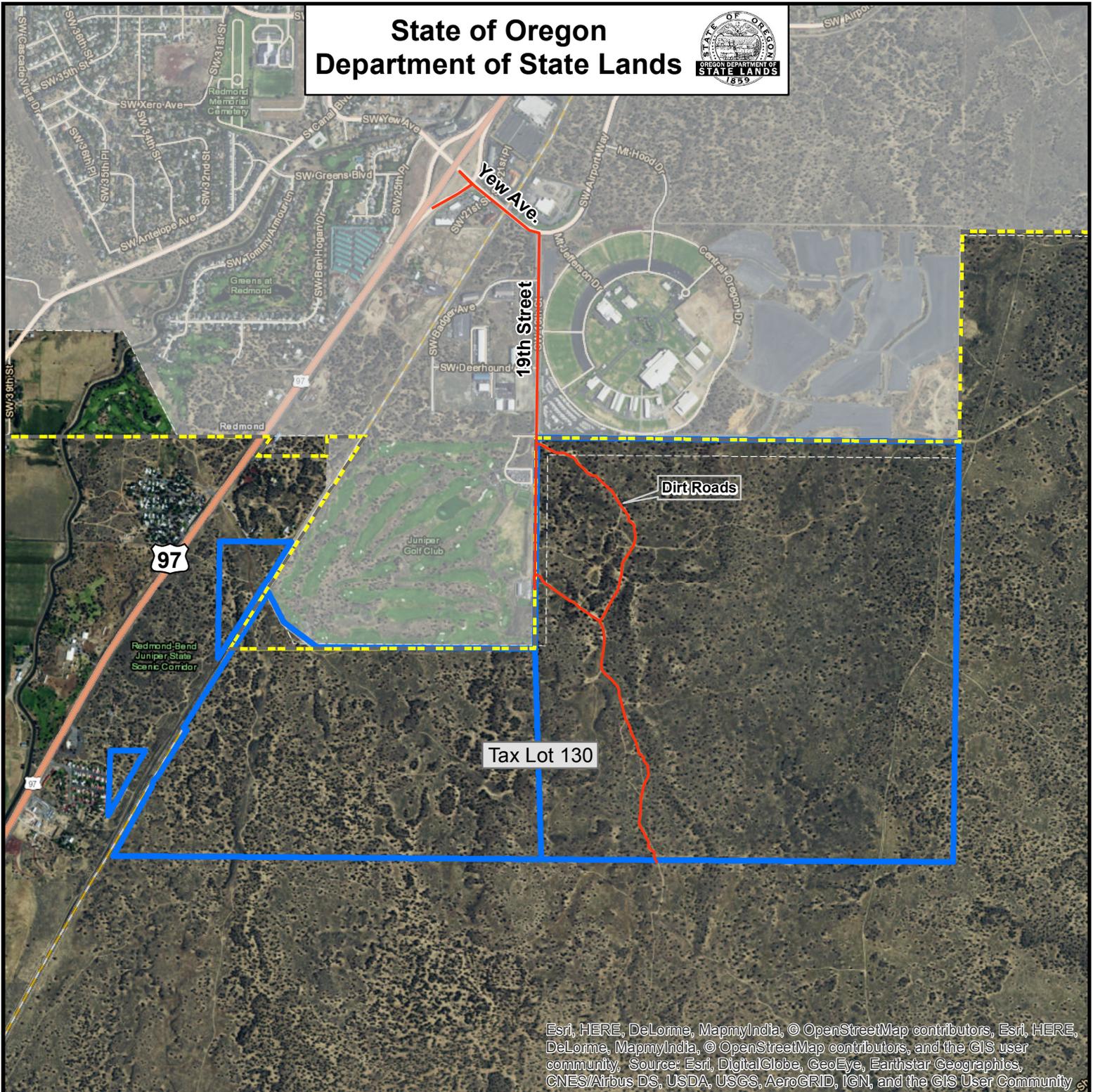
1. Approve the submission of the land use planning applications for UGB expansion, Annexation, and Partition of lots for the OMD Readiness Center and Deschutes County fairground expansion, including the approximate \$200,000 application fees and to advance this long-anticipated project to final approval.

2. Approve funding for the infrastructure obligations to satisfy City of Redmond Community Development requirements and State of Oregon Large Lot Industrial special designation requirements.

APPENDICES

- A. Map
- B. Letters of support
- C. Annexation Agreement

State of Oregon Department of State Lands



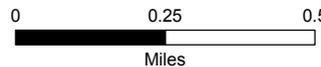
Esri, HERE, DeLorme, MapmyIndia, © OpenStreetMap contributors, Esri, HERE, DeLorme, MapmyIndia, © OpenStreetMap contributors, and the GIS user community, Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

South Redmond Tract Ownership

T15S R13E, Sec.'s 32 & 33, Tax Lot 130
 Approx. 945 Acres
 Zoning: EFU40

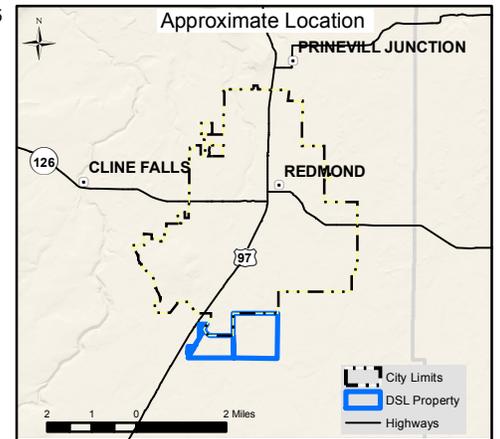
- DSL Property
- Redmond City Limits
- Urban Growth Boundary
- Main Access Roads

This product is for informational purposes only and has not have been prepared for, nor is suitable for legal, engineering, or surveying purposes. Users of this information should review or consult the primary data and information sources to ascertain the usability of the information.



Map Projection:
 Oregon Statewide Lambert
 Datum NAD83
 International Feet
 State of Oregon
 Department of State Lands
 775 Summer St NE, Suite 100
 Salem, OR 97301
 503-986-5200
 www.oregon.gov/DSL

Date: 2/1/2017



411 SW Ninth Street
Redmond, OR 97756



CITY OF REDMOND
Office of the Mayor

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www.ci.redmond.or.us

May 23, 2018

Vicki L. Walker, Director
Oregon Department of State Lands
775 Summer St. NE
Salem, OR 97301-1279

RE: DSL South Redmond Tract / Large Lot Industrial Land

Dear Director Walker:

Thank you for actively engaging in the City of Redmond's efforts to partner with DSL to unlock the traded sector employment potential in the Central Oregon region. The South Redmond Tract (SRT), owned by DSL, is nearly 1,000 acres in size and borders the Redmond urban growth boundary. This site was selected after a comprehensive Regional Economic Opportunity Analysis (REOA) showing the SRT was the best place for the Large Lot Industrial (LLI) needs for the region. The future annexation of the SRT also provides the Oregon Military Department (OMD) an opportunity to relocate from their downtown Redmond Armory and positions Deschutes County with the ability to pursue an important land swap with DSL.

The purpose of this letter is to express the City of Redmond's strong encouragement for the State Land Board to approve the necessary funds to extend utilities to the SRT and establish the site as "shovel ready".

In 2013, the City and DSL signed a non-binding Memorandum of Understanding. Whereby, DSL committed to the infrastructure investment and the City committed to the design costs for the adjacent pump station. The estimated cost to extend the utilities is \$2,000,000. The City is also committed to building a \$2.5 million pump station scaled to support the property. We are confident these forward-looking actions increases the value and marketability for this industrial land.

Deschutes County and DSL in coordination with the City of Redmond and adjoining city/county jurisdictions in Central Oregon, have worked diligently since the early 2000's to bring this work to where it stands today. These efforts make this property attractive to traded sector family-wage jobs and we are now on the verge of a milestone by entering into an annexation agreement with DSL.

DSL's participation throughout the process has been aimed at having the SRT designated as the LLI site in Central Oregon consistent with OAR 660-024-0045. Such a designation better positions the property as a higher performing site that generates additional income for the Common School Fund.

Currently, land use applications to both Deschutes County and the City of Redmond need to be submitted to move forward. This step is pending the approval of an annexation agreement between the City of Redmond and DSL for the entirety of the SRT. The land use applications (UGB expansion, Comprehensive Plan and Zoning map amendments) have been prepared and are awaiting submittal. This includes application for the LLI lands to be retained by DSL, as well as the application for the 140 acres to be exchanged with Deschutes County and the 20 acres to be sold to the OMD.

We appreciate you taking the steps to have your team pursue an appraisal to examine the market value of the land with and without improvements. We are confident the results will confirm the importance of the State Land Board approving an investment in infrastructure. But/for that investment, the land will likely continue to sit underutilized and the region will miss the opportunity to advance our efforts to increase our average annual income which sits just below \$40,000.

At this time we are asking for your assistance as Director of DSL, and your upcoming work with the State Land Board, to aid in moving the projects to a successful realization.

Please let us know what we can do to help you.

Sincerely;



George Endicott
Mayor
Redmond, Oregon



Jon Stark
Senior Director
Redmond Economic Development Inc.



Board of County Commissioners

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www.deschutes.org
 board@deschutes.org
 Tammy Baney
 Anthony DeBone
 Phil Henderson

June 18, 2018

Vicki L. Walker, Director
 Oregon Department of State Lands
 775 Summer St. NE
 Salem, OR 97301-1279

**RE: DSL South Redmond Tract / Large Lot Industrial Land – Land Exchange,
 Deschutes County**

Dear Ms. Walker:

As you have recently been appointed the new Interim Director for the Department of State Lands (DSL), we, the Board of County Commissioners for Deschutes County, are writing to you to furnish background and support regarding the projects affecting the State of Oregon's 950 acre South Redmond Tract, and the importance of such to Central Oregon. We very much appreciate that since your appointment you have worked with Deschutes County and City of Redmond Staff regarding the Large Lot Industrial (LLI) designation and a pending Land Exchange with Deschutes County. We are aware that a recent meeting/conference call with County/City Staff was very productive and sets the stage for moving these projects forward. We understand that you will soon be meeting with the State Land Board to discuss the aforementioned projects, and the need for infrastructure funding by DSL. In this vein, we want to make you aware of the history of work done to designate such lands as suitable for a LLI development, as well as the related Land Exchange with Deschutes County for a portion of this tract adjacent to the County Fair and Expo Center.

The staff of both Deschutes County and the State (DSL), in coordination with City of Redmond staff and those of adjoining city/county jurisdictions in Central Oregon, have worked diligently since the early 2000's to bring these projects to where they stand today. DSL's participation throughout the process has been aimed at having the South Redmond Tract designated as the 200+ acre LLI site in Central Oregon. Such a designation better positions the property as a higher performing site that generates additional income for the Common School Fund as is one of the goals outlined in DSL's Real Estate Asset Management Plan. Our overall desire is to continue the momentum on both of these projects for the benefit of all directly affected parties – especially the citizens of Central Oregon - with anticipated completion within the next year.

Large Lot Industrial Program

In 2007 the Oregon Land Conservation and Development Commission (LCDC) amended Oregon Administrative Rule 660, Division 9, which enabled cities and counties to coordinate Regional Economic Opportunities Analyses (REOA's) – in order to better provide economic development opportunities for the region as a whole, rather than from an individual city/county basis. In 2008, the Oregon Economic and Community Development Department identified a statewide need for large industrial lots in recognition of global business trends that have emerged as key elements of Oregon's economy. Deschutes County began pursuing the REOA program immediately following and subsequently, in 2010, the Oregon Department of Land Conservation and Development (DLCD)

awarded a grant to Deschutes County to conduct a REOA and determine the economic land needs for Central Oregon. From early 2010 through mid-2013, Deschutes County worked extensively with regional partners and agencies (including DSL – regarding the South Redmond Tract as a candidate LLI site) to complete the REOA and have it adopted into local Comprehensive Land Use Plans. The 3 ½ years of work between initiation of the project and local Comprehensive Plan adoption included:

- coordination among all regional partners on a final draft REOA (which includes the Large Lot Industrial (LLI) program);
- an appeal by 1,000 Friends of Oregon of the REOA;
- DSL's participation as an intervener in the appeal on behalf of Deschutes County
- the intervention of the DLCD Director and Governor's office to negotiate a settlement on the appeal;
- multiple instances of DLCD rule-making specific to the REOA implementation in Central Oregon;
- the establishment of Central Oregon Intergovernmental Council (COIC) as the governing authority for the LLI program
- the selection and designation of suitable sites as identified in the REOA as the chosen properties to meet the economic lands needs as specified therein
- the selection of the State of Oregon's South Redmond Tract as the site suitable for the 200+ acre LLI designation
- the development and execution of a Memorandum of Agreement (MOA) between DSL and the City of Redmond regarding the designation of the 950 acres South Redmond Tract as the 200+ acre LLI site, and the necessary UGB expansion, Comprehensive Plan Amendment/Zone change, and extension of infrastructure to serve the site (it is noted that the MOA also references the 140 acre negotiated land exchange with Deschutes County and a 20 acre sale to the Oregon Military Department (OMD) as relevant factors).

Currently, land use applications to both Deschutes County and the City of Redmond, pending the approval of an annexation agreement between the City of Redmond and DSL for the entirety of the South Redmond Tract, need to be submitted to move forward. It is our understanding that the land use applications (UGB expansion, Comprehensive Plan and Zoning map amendments) have been prepared by a consultant hired by DSL and are awaiting submittal. This includes application for the LLI lands to be retained by DSL, as well as the application for the 140 acres to be exchanged with Deschutes County and the 20 acres to be sold to OMD.

Deschutes County / DSL Land Exchange

Negotiations between Deschutes County and DSL regarding the County's desire to acquire an area of land adjacent to the south side of the Deschutes County Fair and Expo Center (Fairgrounds) from the State's South Redmond Tract (through DSL) actually began prior to the initiation of the REOA project in 2008. Since the time these property negotiations began, the defined area (now a configuration that encompasses 140 acres) has also been included in the REOA / LLI work program and referenced as a land acquisition by the County. Recent elements of the land acquisition negotiations between the County and DSL have included:

- June 15, 2015 - Deschutes County and DSL entered into a formal Exchange Agreement which established the protocol for exchanging a portion of a property owned by Deschutes County inside the Redmond City limits for the 140 acre DSL land on the south side of the Fairgrounds
- the Agreement required appraisals based on certain assumptions intended to provide an equal basis for the valuation determinations (it was assumed that each property had public facilities and services available – or the cost of constructing such facilities could be a reduction factor to the appraised value)
- the DSL Fairgrounds property included the assumption that the property would be brought into the Redmond Urban Growth Boundary (UGB), and that all necessary public facilities and

services would be in place and be available to serve the 140 acres (this was included because of the MOA between the City of Redmond and DSL regarding infrastructure construction for the entirety of the LLI lands)

- the County property, which is already inside the UGB/City limits, included the cost of extending water service to the property as a reduction factor to the appraised value
- after conducting two appraisals for each property, the agreed to appraisals came back with equal valuations (approximately \$20,000 per acre) for each
- based on the appraisal, it was assumed that an equal 140 acre trade between each party was appropriate.

Following the appraisals, further correspondence from DSL indicated that the agency did not want to acquire any portion of the appraised County property that was compromised with remnants of old shooting/firearms ranges which would require a degree of remediation with development. Thus, the County has been pursuing an adjustment to the Redmond UGB to make other similar land without such factors available for trade. Subsequent meetings and correspondence with DSL staff regarding the new land area to be exchanged by the County indicated that the new land area was suitable and acceptable to DSL – this was in conformance with the provisions of the Exchange Agreement. In this regard, new appraisals of both the County land and DSL 140 acres will be necessary prior to the formal land exchange (also because of the time lapse since the previous appraisals – 2 years).

At present, the initial Exchange Agreement has lapsed. When discussions between County and DSL staff questioned whether or not a new Agreement was needed, the position of and correspondence from DSL (through legal counsel) was that a new agreement was not necessary. In this regard, both Deschutes County and DSL have been proceeding in good faith toward the initial goals as stated in the original Exchange Agreement. However, as has been the case for the past year, the land use applications prepared for the UGB expansion for the DSL 140 acres (as well as for the OMD property and remainder of the DSL LLI property) has not yet been submitted.

Next Steps

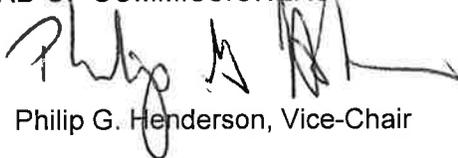
As you can see, there has been extensive work done by both Deschutes County and DSL staff, as well as the City of Redmond staff, to bring the LLI designation and the Land Exchange as described herein to fruition. Although there is still work to be done, these projects are in the final stages and we are eager to bring them to completion. The culmination of both projects will allow Central Oregon to have the necessary large lot development land to help ensure continued economic success as the region continues to experience extensive population growth, and will also allow the County Fair and Expo Center (which is a large economic driver in the region) to meet projected growth demands. Through this letter we are emphasizing the importance of these projects to Central Oregon, and are recognizing all the time, effort and expenditure that has been put forth to date. We are asking for your assistance as Director of DSL, and your upcoming work with the State Land Board, to aid in moving the projects to a successful realization. Please let us know what we can do to help you.

Thank you in advance for your consideration,

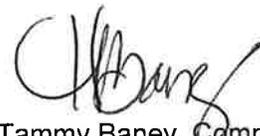
DESCHUTES COUNTY BOARD OF COMMISSIONERS



Anthony DeBone, Chair



Philip G. Henderson, Vice-Chair



Tammy Baney, Commissioner

CC: City of Redmond
Central Oregon Intergovernmental Council
Deschutes County Fair Board

City of Redmond
411 SW 9th Street
Redmond, OR 97756

ANNEXATION AGREEMENT

This Annexation Agreement is made and entered this ____ day of August, 2018, by and between the City of Redmond, Oregon, an Oregon municipal corporation (hereinafter “City”) and the State of Oregon, by and through the Oregon Department of State Lands (hereinafter “Owner”).

W I T N E S S E T H

WHEREAS, Owner is the record owner of the property legally described on Exhibit A attached hereto and incorporated herein (hereinafter referred to as the “Property”); and

WHEREAS, the Property is located outside both the City’s Urban Growth Boundary (UGB) and the City boundary; and

WHEREAS, the Property is proposed to be annexed to the City after inclusion into the UGB; and

WHEREAS, The parties intend that the Property will be developed and used as large lot industrial property and a portion will be used by the Oregon National Guard and a portion will be used by Deschutes County; and

WHEREAS, Owner has submitted a petition for annexation and provided the City with all required consents for annexation; and

WHEREAS, the City is willing to annex the Property subject to the provisions, of this Agreement; and

WHEREAS, the City will, by Resolution, initiate ultimate urban zoning upon the successful annexation of the Property to the City of Redmond.

NOW, THEREFORE, in consideration of the representations, promises and mutual covenants contained herein, the City and Owner agree as follows:

1. **RECITALS:** The foregoing recitals are incorporated herein as is fully set forth in this Section.
2. **ANNEXATION:**
 - a. City agrees it will initiate a resolution annexing the Property into the City once the Property is within the Redmond UGB, and will set the initial zoning for the Property as Large Lot Industrial LLI.
 - b. Owner may terminate this Agreement by serving written notice to the City. The notice must be received by the City at least 60 days prior to the public hearings for City Council consideration of the annexation. If the City receives such notice, this Agreement terminates as of the effective date of the notice. After the annexation resolution is adopted

by the City, this Agreement may only be terminated or amended by written consent of Owner and City.

3. **COMPREHENSIVE PLAN/ZONING:** Prior to development of the Property, the Owner is required to complete a Master Plan for the Property in compliance with the Redmond Comprehensive Plan and Redmond Development Code. The Master Plan will identify the Comprehensive Plan and Zoning designation, subject to Redmond City Council review and approval.
4. **DEVELOPMENT:** Owner agrees as follows:
 - a. Owner shall waive and shall not assert any claim against the City that may now exist or that may accrue through the date of annexation of the Property that it may claim due to its ownership of the Property. This includes any claim arising out of any land use regulation or under Measure 37 (ORS 197.352), Measure 49, and Measure 56 (ORS 227.186).
 - b. Owner agrees that any development of the Property will comply with an approved Master Plan for the Property.
 - c. Owner agrees that it will, without any cost to the City and pursuant to the Master Plan, dedicate the necessary rights-of-way or easements for all public improvements.
 - d. Owner agrees to sever all groundwater rights from Property, unless partial use is otherwise approved by the Redmond City Council. Owner is directed to sever the groundwater rights via sale or transfer to the City, and such severance shall occur prior to the platting of the first phase of development.
 - e. Owner agrees to not remonstrate against the formation of a local improvement district or reimbursement district created for funding public improvements that will serve the Property. This waiver applies to the Property until all utility service and all required infrastructure that will service or benefit the Property is completed and accepted by City. If the Property is developed in phases, the waiver may be removed on a phase-by-phase basis if all utility service and all required infrastructure that will service or benefit the Property is completed and accepted by City.
 - f. Owner agrees to, at Owner's expense, construct water, sewer and storm water conveyance facilities ("the Facilities") to serve the Property per City of Redmond Standards within 180 days of Owner entering into an Agreement to convey (presently or in the future) any portion of the Property. The Facilities shall extend along 19th Avenue and will terminate at the northwest corner of the final resultant lot shape of the Property retained by DSL, after any land conveyances to other entities. The Facilities will be of an adequate size, as determined by the City, to serve projected future development for the entire Property. Owner shall also extend gas, cable, fiber and similar extensions to the northwest corner of the final resultant lot shape of the Property, after any land trades with other entities. Owner shall deliver to the City a copy of all Agreements to convey (including Agreement for potential future conveyances) signed by Owner or Owner's representatives within 7 days of the Agreement.
 - g. Owner agrees to, at Owner's expense, to also construct off-site sanitary sewer facilities needed to serve the Property within 180 days of Owner entering into an Agreement to

convey any portion of the Property. Off-site facilities are expected to include a new pump station to help provide adequate wastewater flow capacity as determined by the City. Off-site sanitary sewer facilities identified to date include a new pump station near SW 19th/Elkhorn Avenue with a long force main to the Westside Sewer Interceptor. The City agrees to design a preferred option for this infrastructure. The preferred option will be agreed upon by the City and Owner prior to construction.

5. **AMENDMENT:** This Agreement and any exhibits attached hereto may be amended only by the mutual written consent of both parties.
6. **SEVERABILITY:** If any provision, covenant or portion of this Agreement or its application to any person, entity, property or portion of property is held invalid, or if any ordinance or resolution adopted pursuant to this Agreement or its application to any person, entity, property or portion of property is held invalid, such invalidity shall not affect the application or validity of any other provisions, covenants or portions of this Agreement or other ordinances or resolutions passed pursuant hereto, and to that end, all provisions, covenants, and portions of this Agreement and of the ordinances and resolutions adopted pursuant hereto are declared to be severable.
7. **NO WAIVER OF RIGHT TO ENFORCE AGREEMENT:** Failure of any party to this Agreement to insist upon the strict and prompt performance of the terms, covenants, agreements and conditions herein contained, or any of them, upon any other party imposed, shall not constitute or be construed as a waiver or relinquishment of any party's right thereafter to enforce any such term, covenant, agreement or condition, but the same shall continue in full force and effect.
8. **ENTIRE AGREEMENT:** This Agreement supersedes all prior agreements, negotiations and exhibits and is a full integration of the entire agreement of the parties relating to the subject matter hereof. The parties shall have no obligations other than specifically stated in this Agreement except those of general applicability.
9. **SURVIVAL:** The provisions contained in this Agreement shall survive the annexation of the Property and shall not be merged or expunged by the annexation of the Property or any part thereof to the City.
10. **SUCCESSORS AND ASSIGNS:** This Agreement shall run with the land described on Exhibit A and inure to the benefit of, and be binding upon, the successors in title of the Owners and their respective successors, grantees, lessees, and assigns, and upon successor corporate authorities of the City and successor municipalities.
11. **TERM OF AGREEMENT:** This Agreement shall be binding upon the parties and their respective successors and assigns for twenty (20) years, commencing as of the date of this Agreement.
12. **ENFORCEMENT:** Owner agrees that if the Property is not suitable for Large Lot Industrial uses, or if Owner, in the sole opinion of City, fails or delays in the development of the Property for Large Lot Industrial uses, or if Owner fails to perform any other provisions of this Agreement, the City Council may, after providing written notice to

Owner and an opportunity to be heard, de-annex the Property and that Owner will not object or oppose such de-annexation in any manner or any forum.

13. ATTORNEY FEES: In any proceeding to enforce, apply or interpret this Agreement, each party shall bear its own attorneys' fees and costs.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

CITY

OWNER

Keith Witcosky, City Manager

Vicki L. Walker, Director
Oregon Department of State Lands

ATTEST:

Kelly Morse, City Recorder

STATE OF OREGON)
) ss.
County of Deschutes)

Keith Witcosky, City Manager, on behalf of the City of Redmond, who acknowledged that he had authority to sign on behalf of the City of Redmond and this instrument to be the City's voluntary act and deed, acknowledged this instrument before me this ____ day of _____.

Notary Public for Oregon

STATE OF OREGON)
) ss.
County of Marion)

Vicki L. Walker, Director, on behalf of the Oregon Department of State Lands, who acknowledged that she had the authority to sign on behalf of the Oregon Department of State Lands and this instrument to be the Oregon Department of State Land's voluntary act and deed, acknowledged this instrument before me this ____ day of _____.

Notary Public for Oregon

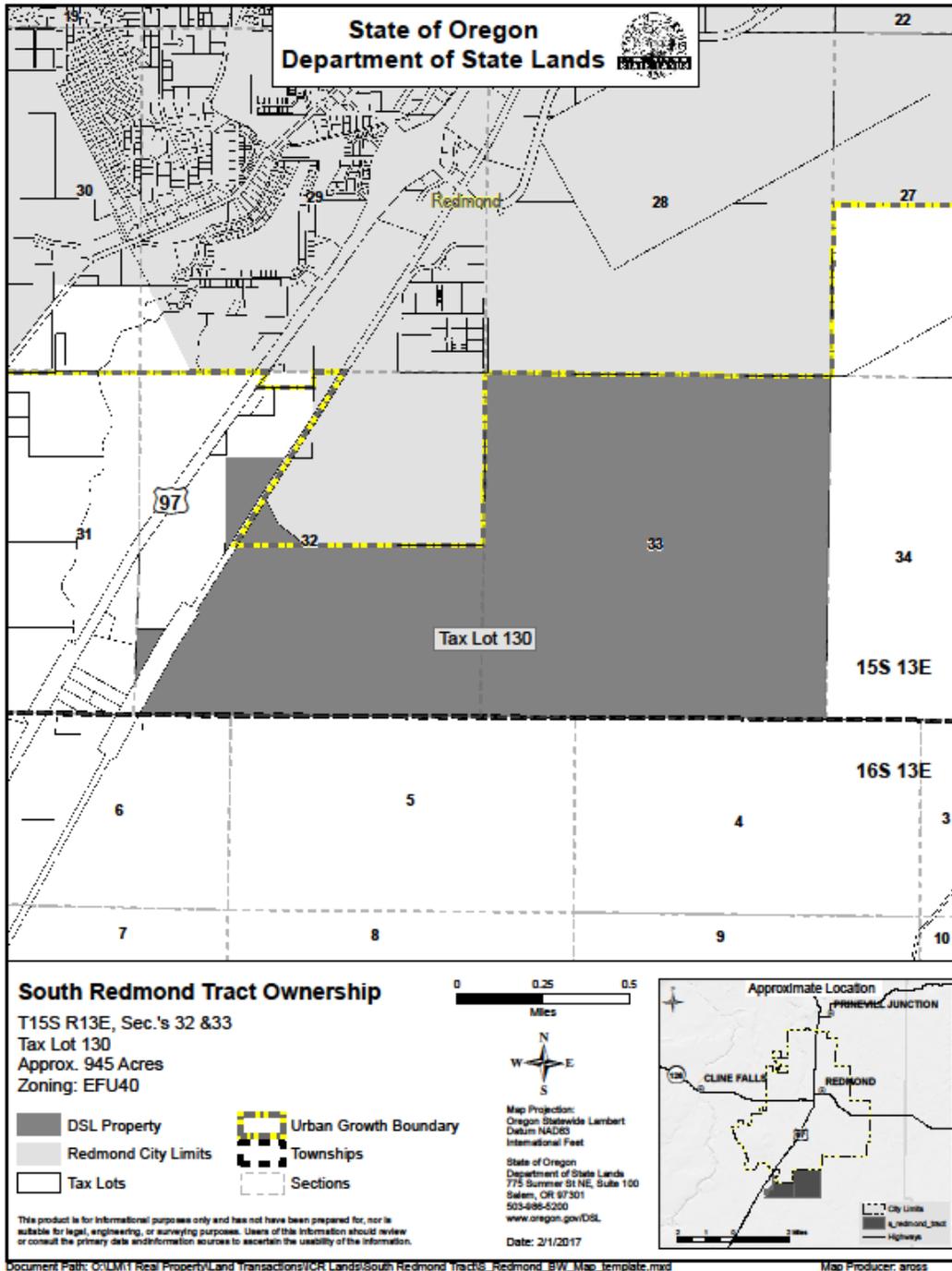
EXHIBIT A

Certain real property in Deschutes County, Oregon, being approximately 945 acres, more particularly described as follows and as shown below:

Township 15S, Range 13E:

Section 32: Lot 1; E1/2 SW1/4; SW1/4 SW1/4; and SE1/4

Section 33: All





Oregon

Kate Brown, Governor

Department of State Lands

775 Summer Street NE, Suite 100

Salem, OR 97301-1279

(503) 986-5200

FAX (503) 378-4844

www.oregon.gov/dsl

State Land Board

Kate Brown

Governor

M E M O R A N D U M

Dennis Richardson

Secretary of State

Date August 14, 2018

Tobias Read

State Treasurer

To: Governor Kate Brown
Secretary of State Dennis Richardson
State Treasurer Tobias Read

From: Vicki L. Walker
Director

Subject: Request for Information – Certified Forest Lands Management

The Oregon Department of State Lands (Department) has initiated a project to solicit information and feedback from the vendor community regarding options for managing approximately 33,000 acres of Common School Forest Lands outside of the Elliott State Forest. The method for the information gathering is through a Request for Information (RFI). The RFI process is a public process executed through the Oregon Procurement Information Network (ORPIN).

The Department is using the RFI procurement tool to gather options and alternatives for the management of the forest lands. Informational responses will be analyzed and drafted into a report of the findings along with any recommendations which may aid in decision making.

The current status of this project is as follows:

- Completed a contract with PSU for a Hatfield Fellow to help with RFI development, research, to perform response analysis and report writing.
- A timeline of events planned as displayed below.

