



Oregon

Kate Brown, Governor

Department of State Lands

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State Land Board

The State Land Board met in regular session on October 17, 2017, in the Land Board Room at the Department of State Lands, 775 Summer Street NE, Salem, Oregon.

Kate Brown
Governor

Present were:

Kate Brown
Dennis Richardson
Tobias Read

Governor
Secretary of State
State Treasurer

Dennis Richardson
Secretary of State

Tobias Read
State Treasurer

Land Board Assistants

Jason Miner
Steve Elzinga
Ryan Mann

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

Department Staff

Jim Paul Bill Ryan Cyndi Wickham Julie Curtis Chris Castelli
Nancy Pustis Arin Smith Sabrina Foward Anne Friend

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.

CONSENT AGENDA

1. a. Request for approval of the minutes of the May 9, 2017 State Land Board meeting.
- b. Request for approval to initiate the review and determination of the sale of the Helvetia property, a 2.78 acre parcel located at Township 1N, Range 2W, Section 15, Tax Lot 100 in Washington County.
- c. Request for approval to initiate the review and determination of the sale of the Millican Road parcel, a 158.87 acre parcel located at Township 15S Range 15E, Section 14, Tax Lot 2300 in Crook County.
- d. Request for approval to initiate the review and determination of the sale of the Stevens Road Tract, a 640 acre parcel located at Township 18 South, Range 12 East, Section 11, Tax Lot 2300 in Deschutes County.

e. Request for approval of a perpetual easement for two bridge crossings on Highway 101 over Southport Slough in Section 23C of Township 26 South, Range 13 West of Willamette Meridian in Coos County.

Director Jim Paul briefly described the items on the consent agenda.

Regarding items 1b-d, Treasurer Read asked about the process of properties being acquired and what that means going forward. He stated that real estate is a component of the portfolio the State Treasury manages. In those cases, we are much less likely to pursue individual properties because of the various risks associated, but rather to be part of a funds and larger more diversified investment vehicle. What are the Advantages and disadvantages of that approach?

Director Paul replied that in terms of DSL's real property transactions we utilize the Land Revolving Fund, created in statute. Those dollars come from the sale of trust lands to be reinvested into lands or other suitable investments in consultation with the Oregon Investment Council. Utilizing their expertise to see if there are better ways to manage our real estate portfolio. DSL will continue to look at that and report back to the Board.

Treasurer Read suggested that DSL accelerate that process

Regarding items 1c, Secretary Richardson stated that the Millican property is an opportunity for family wage jobs and gave kudos to crook county commissioner Seth Crawford or his work. Regarding item 1d, he requested that DSL be sure Stevens Road environmental impacts, including on any endangered species, are taken into consideration during the evaluation of the property.

Director Paul responded that those issues are included in the Stevens Road Conceptual Master Plan from 2007 and will be carried forward to make sure they are addressed in any future development.

Regarding item 1c, Governor Brown asked that as we are moving forward with the Crook county parcel proposal, it should be integrated with the economic development strategies that the county is using.

Peggy Lynch with League of Women's Voters gave public comment on behalf of the May minutes (agenda item 1a).

She stated, as plans for the Elliott move forward the League requests that the board continue to be open and interactive and have a stakeholder process.

Treasurer Read made a motion to approve the consent agenda. Secretary Richardson seconded that motion. There were no objections to this motion. The consent agenda was approved.

Action Items

2. Request for adoption of amendments to the administrative rules governing the placement of an ocean renewable energy facility on, in or over state-owned land within the territorial sea (OAR 141-140-0010 to OAR 141-140-0130)

Director Paul reminded the board that no public testimony can be taken on this topic in which a public hearing was held, and public comment period has been closed. However, Rule Advisory Committee (RAC) members are present to answer clarifying questions about the process.

Director Paul introduced three of the RAC members who were present:

Delia Kelly ODFW, Onno Husing Lincoln County, and Andy Lanier DLCD

Director Paul then introduced Chris Castelli, DSL Policy Analyst, to present the revisions to division 140 Ocean Renewable Energy.

Chris stated that the Land Board directed DSL to move forward with revising these rules in August 2015 in response to the drafting and adoption of part five of the Territorial Sea Plan and the passing of SB319, SB606, and HB2694. A Rulemaking Advisory Committee (RAC) was convened. The key issues were to integrate the requirements and policy statements from part five of the Territorial Sea Plan and the three bills that were passed, and to also update the application fee schedule to cover more administrative costs. The RAC had eight meetings over a one-year period. There was a 45-day public comment period, three public hearings, and one open house meeting.

Treasurer Read asked Chris if he could summarize the direction of the changes made and public comments that were heard. Chris said that the biggest part of this rulemaking effort was to follow direction set forth with adoption of part five of the territorial sea plan and three bills that passed. Public hearings were sparsely attended, and the general public who attended were generally happy with the information that was provided. Most public comment was received in writing, which is typical.

Governor Brown thanked each of the committee members: Jason Busch – Oregon Wave Energy Trust, Justin Klure – Pacific Energy Ventures, Richard Williams – Oregon Applied Research, Joanne Manson – Oregon Military Dept., Nick Edwards – Commercial fisherman, Hugh Link – Oregon Dungeness Crab Commission, Scott McMullen – Oregon Fishermen’s Cable Committee, Delia Kelly – Oregon Dept. of Fish & Wildlife, Robin Hartmann – Oregon Shores Conservation Coalition, Charlie Plybon – Surf rider Foundation, Onno Husing – Lincoln County, Keith Tymchuk – Former Mayor of the City of Reedsport current Port of Umpqua Commissioner, Walter Chuck – Port of Newport, Andy Lanier – Dept. of Land Conservation and Development, Laurel Hillman – Oregon Parks & Recreation Dept.

Director Paul stated that the department recommends that the Land Board adopt the proposed amendments to the administrative rules governing the placement of an Ocean Renewable energy facility on, in, or over state owned land within the territorial sea.

Secretary Richardson made a motion to approve

Treasurer Read Seconded.

There were no objections to this motion. The item was approved.

Informational Items

3. Annual update on the Oregon Ocean Science Trust (OOST)

Director Paul stated the general purpose of the trust and introduced Louise Soliday, volunteer Executive Director of the OOST. Louise Soliday explained that since appointed in 2015, they have adopted a set of bylaws and developed an inventory of current research and monitoring going on in the Oregon territorial sea. They met with California OOST to compare programs. They have adopted rules for a grant program for funding. DSL provides administrative support, otherwise OOST is currently unfunded. All work is done through volunteer efforts and grants. Hopeful that the February session will result in funding.

Governor Brown recommended that the trust be funded by legislature or ended.

Treasurer Read asked Louise Soliday to expand on the list of groups that are worked with.

Ms. Soliday responded that she attends Ocean Policy Advisory Council (OPAC) meetings to brief them on work being done by OOST. They also use their List Serve as a way to get public comments on the things that they are doing. The effort at Fishermen's Round table was started by the Oregon Sea Grant to bring together fishermen and scientists a couple of times per year to talk about observations from both sides. Lastly, the Oregon Coastal and Ocean Information Network is the effort between PSU and OSU to provide ocean information through a web portal, the Oregon Explorer platform.

4. Annual report on the Common School Fund Real Property program for fiscal year 2016

Director Paul provided an overview of the report on the performance of the Real Property program and management of the Common School trust lands. He stated that there is a total of 1.5 million acres of trust lands, where and about half—738,000 acres—are lands with both surface and subsurface ownership (the remaining 767,000 acres are subsurface-owned only).

Director Paul added that Appendix B shows a breakdown of land classifications and the way trust land ownership is organized and performance is evaluated. Director Paul explained that the rangelands lost revenue due to fires occurring during the previous year, and the cost of fire protection came to \$1.8M. A work plan is in progress to find less costly alternatives for fire protection.

He then said that Appendix C shows the acreage and approximate market value of the lands.

He stated that we have been looking at how to continually evaluate our land portfolio and the divesting of lands that are underperforming or non-performing and reinvesting in more suitable lands or other investments.

Secretary Richardson pointed out that there is \$538M in land assets only making an average of 0.51% return over the last six years. Treasurer Read stated his concern with the risk we are exposing ourselves to with investing in individual properties and would like to accelerate the process of hearing recommendations on alternative options.

Secretary Richardson asked Director Paul if he had any ideas on what to do to generate a better return for CSF. Director Paul stated that recently at the September Oregon Investment Council (OIC) meeting, for the first time, the CSF is being diversified to include a real property asset allocation category as part of the fund. It now calls for a 10% piece of that asset allocation. The OIC will reallocate the existing fund and ensure that as transactions and turnover of investment types happen, they will populate that new asset allocation category.

5. Elliott Public Ownership Project Update

Director Paul gave a recap of progress made since the May 2017 Land Board meeting. At the Land Board's direction, the department submitted a supplemental budget request near the end of the 2017 legislative session requesting additional funds needed for implementation. \$1.5M was approved to put towards the project, but no dedicated positions came with that funding. All updates are posted to the Elliott web page regularly for public access. There is also an email distribution list that has been maintained and available for the members the public to be added to if requested; and this list is also used to keep the public informed on the project status.

He continued with an update of where DSL is in the process, which is being guided by the Land Board direction and can be described as two distinct but interrelated tracks.

The first track is to retain a third-party consultant to take on the work of the Habitat Conservation Plan (HCP) development. The procurement process has been started, but can be lengthy due to the complexity of that work and procurement rules, it could take up to six months to get to contract signed.

The second track is to continue pursuing the decoupling of the Elliott from the Common School Fund. This will also involve contracting with a third party to manage the discussions and negotiations toward the decoupling of the forest from the Common School Fund potentially leading to a new public owner. Oregon Consensus has expressed interest in doing this work on behalf of DSL and may be a good fit. We are waiting for a more detailed proposal to lead that work. This work will involve a thorough stakeholder process.

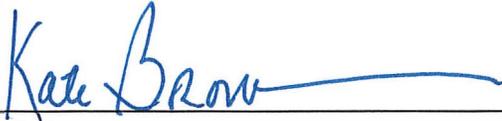
Secretary Richardson stated that historically, HCP's can take years. He asked if there is anything that can be done to move the process ahead faster. Director Paul responded that the six-month time estimate for signing the HCP contract is conservative, given the various state procurement

requirements involved. DSL intends to move forward with the process as quickly as we can, notwithstanding these requirements.

6. Other

Governor Brown recognized Caren Braby with Oregon Coordinating Council on Ocean Acidification and Hypoxia (OCCOAH) and thanked her for working closely with Ms. Soliday and for being there.

Governor Brown adjourned the meeting at 11:00am



Kate Brown, Governor



James T. Paul, Director