SUBJECT

Request for approval to initiate due diligence for a potential direct sale of the Cline Butte Tract, six tax lots totaling 400 acres located near Cline Falls Road and Eagle Crest Resort in Deschutes County, Township 15 South, Range 12 East, Section 17, 20, 29 and 30 Tax Lots 5101, 5102, 5103, 5104, 5200, and 5300.

ISSUE

Whether the Land Board should authorize the Department to initiate due diligence for the potential direct sale of the Cline Butte Tract in Deschutes County.

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.
- ORS 273.780; relating to the retention of mineral rights.
- OAR 141-067; relating to the sale, exchange and purchase of state land.
- Real Estate Asset Management Plan (REAMP) adopted by the Land Board; February 2012.

SUMMARY

Central Oregon Land and Cattle Company, LLC (CLCC) has submitted an application to purchase the Cline Butte Tract, six tax lots totaling 400 acres near Cline Falls Road in Central Oregon. The property is adjacent to Eagle Crest Resort. All six tax lots are Common School Fund land and share boundaries with private land currently owned by the applicant (see the property map in Appendix A).

The applicant currently leases all the land they are requesting to buy. A 160-acre lot has been leased since 2005, when the applicant (then doing business as Thornburgh
Resorts, LLC) entered into an open space Special Use Lease agreement with DSL. In 2008, the Department acquired an additional 240 acres as in-lieu lands from the U.S Bureau of Land Management. The acquisition of these acres partially satisfied the federal government’s obligation to provide Oregon with approximately 5,200 acres of federal land owed in-lieu of school lands not granted at statehood.

These newly acquired acres were adjacent to or near the leased acres, and in October 2008 the existing lease was amended to include the additional acreage and update the lease fees.

**Development Background and Applicant’s Concept for Property**

CLCC has been working toward developing a destination resort in this area. At the time of the 2005 lease negotiations, the lessee was drafting a conceptual master plan and conditional use (land use) application to meet Deschutes County’s permitting requirements for a destination resort. The 2005 lease agreement authorized CLCC to explore incorporating the state-owned lands into a destination resort to serve as open space. The conceptual master plan included the original 160-acre DSL-owned parcel along with 1,980 acres of private land owned by the lessee.

CLCC has since submitted a master plan to Deschutes County which details the first phase of developing the destination resort. The master plan does not include the state-owned acres. Though the county has approved the master plan, the approval was appealed to the State Land Use Board of Appeals and subsequently remanded back to Deschutes County for consideration, where it is now pending decision.

Should CLCC receive approval to purchase the 400-acre Cline Butte Tract, they intend to eventually incorporate the state-owned lands into the destination resort.

**Due Diligence Process**

A due diligence review is required prior to the Land Board’s consideration of the sale. Should the State Land Board approve DSL to complete a due diligence review, the Department will evaluate multiple factors, including value and potential use for the property, presence of mineral and energy resources, any cultural resources that may be present; and any endangered, threatened, or sensitive species on the land. The Department will also solicit feedback from adjacent landowners and interested community members during a public comment period. After the due diligence review, if the Director determines the lands should be available for sale, the matter will come back to the Land Board for approval of the method of sale.

**RECOMMENDATION**

The Department recommends that the State Land Board approve DSL to complete a due diligence review for potential direct sale of the Cline Butte Tract.
APPENDICES

A. Map of Property