Oregon Department of State Lands

Asset Management Plan

A Plan to Guide the Care and Management of Land, Waterways, Mineral and Energy Resources to Benefit the Common School Fund

FINAL

October 10, 2006

Asset Management Plan

A Plan to Guide the Care and Management of Land, Waterways, Mineral and Energy Resources to Benefit the Common School Fund

Prepared for:
OREGON DEPARTMENT OF STATE LANDS

Prepared by:
COGAN OWENS COGAN, LLC

with
PGP VALUATION, INC.
MASON, BRUCE & GIRARD, INC.

ADOPTED BY THE STATE LAND BOARD
October 10, 2006

Table of Contents

TABLES (NOTE: SOME TABLES WILL BE REVISED PRIOR TO FINAL PRINTING)

FIGURES

APPENDICES

Executive Summary

The Asset Management Plan (Plan) is a 10-year plan that provides policy guidance on how state-owned lands, both Trust and Non-Trust, should be managed by the State Land Board and the Department of State Lands to provide the greatest benefit for the Common School Fund (CSF) and the people of Oregon over the next decade. It provides the policy direction and management principles to guide short- and long-term management of the CSF real estate assets. Implementation of this Plan will increase revenue to the CSF and the overall value of the land and mineral rights within the real estate portion of the CSF portfolio. The Plan will be periodically reviewed and updated. Upon adoption by the State Land Board, this Plan will replace a 1995 Asset Management Plan (AMP) that has successfully guided the management of CSF lands for the past decade and increased contributions to the CSF.

Background

Approximately 2.3 million acres of state-owned lands and mineral rights are managed by the State Land Board (consisting of the Governor, Secretary of State and State Treasurer) as CSF lands. The Oregon Department of State Lands (Department) acts as the administrative arm of the Land Board. CSF lands comprise 3.7% of Oregon's land base and are located in all of the state's 36 counties. Although the Department manages the mineral rights on all state-owned lands, this Plan does not address land owned by other agencies, for example, by the Oregon Department of Fish and Wildlife, Oregon Department of Parks and Recreation, or Oregon Department of Corrections.

Land Types

The CSF's real estate portfolio consists of seven classes of land. These assets are conservatively valued at approximately $682 to $889 million. Contributions to the CSF are derived from a variety of business activities. For example, Rangelands are leased for grazing; timber is sold for harvest; and waterway areas are leased for such uses as sand and gravel removal, houseboat moorages, marinas and log storage.

Forest Lands: CSF lands managed by the Department include about 131,000 acres of Forest lands, primarily in the Elliott State Forest (about 85,000 acres) in the Coast Range northeast of Coos Bay. Other major holdings are within the Sun Pass State Forest (6,400 acres) near Klamath Falls and forest lands in northwest and southwest Oregon (about 26,000 acres), including lands within the Clatsop, Tillamook and Santiam State Forests. The Land Board contracts with the Oregon Department of Forestry (ODF) to manage the majority of CSF Forest lands. Forest land revenues are the CSF's largest single real estate revenue source. In FY 2005, Forest lands generated almost $20 million in revenues, while expenditures totaled $5.2 million. Since 1988, Forest land gross revenue has exceeded $210 million.

Agricultural Lands: Approximately 5,700 acres are classified as Agricultural lands. Agricultural land revenues totaled $161,842 in FY 2005 (expenses are combined with those for Rangelands). All of the agricultural leases are in central and eastern Oregon.

Asset Inventory, July, 2006

Land Classification (1) (2)	Total Acres	Land Types	No. of Leases/Permits or Other Authorizations	% of Total CSF Lands	Value (millions)
Forest Lands	131,000	▪ Elliott State Forest ▪ Sun Pass State Forest ▪ Scattered Blocked ▪ Scattered Isolated	8 easements 1 oil and gas lease 3 communication site leases	5.62	$594-$793
Agricultural Lands	5,700	▪ Short-Term Leases ▪ Long-Term Leases	9 agricultural leases 1 miscellaneous lease	0.24	$6.8
Rangelands	634,000	▪ Leased Blocked ▪ Leased Isolated ▪ Unleased Isolated	143 forage leases 30 easements/rights-of-entry 14 communication site leases 2 special use leases	27.22	$67.9-$85
ICR Lands	695	▪ Headquarters building ▪ Urban properties ▪ Path of progress properties	3 special interest leases 4 cabin site leases 4 DSL building tenants 2 easements	0.03	$13.3
Special Stewardship Lands	4,800	▪ South Slough Reserve	None	0.21	(5)
Waterways	800,000 +/- (3)	▪ Territorial Sea ▪ Tidally influenced land ▪ Navigable waterways	437 waterway leases 1,917 dock registrations 318 easements/rights-of-way 217 public facility licenses 18 temporary use permits 23 sand and gravel licenses 9 oil and gas leases	34.35	(5)
Mineral and Energy Resources	753,000 (4)	▪ Mineral rights in split estates ▪ Geothermal, hydropower, wave energy, and wind energy resources	1 upland quarry lease 3 oil and gas leases 1 hard mineral lease	32.33	(5)
Totals	2,329,195		3,168	100	$682-$899

(1) Various statutes refer to land classifications based on how lands were obtained by the state (ORS 273.251). The AMP system of classifying land is based on primary land uses.
(2) Approximately 4,000 acres of unclassified lands have been incorporated into these land classes for reporting purposes. This Plan classifies those lands based upon location, size and current and potential uses (Appendix D).
(3) Waterways consist of approximately 200,000 acres of submerged and submersible lands and 600,000 acres of state land within the Territorial Sea.
(4) This acreage represents "split estates" in which DSL owns the mineral rights but not the land associated with those rights (subsurface ownership only). In addition to this acreage, DSL also manages 410,000 acres of CSF land with mineral rights included in other land classes and approximately 2.1 million acres of mineral rights underlying acreage owned by other state agencies.
(5) Adequate data not available.

Rangelands: The Department manages approximately 634,000 acres of Rangelands located primarily in central and eastern Oregon (Lake, Harney and Malheur counties). About 98% of Rangelands are leased (143 active forage leases as of July 2006). Of these, 43 are leases on large blocked parcels of more than 1,000 acres each. The remainder are on approximately 100 smaller "isolated" parcels that are difficult to manage due to size, isolation, and lack of access. In addition to forage leases, there currently are 14 communication site leases, 30 easements and rights of entry, and 2 special use leases in effect on Rangelands. Total revenue generated in FY 2005 was $477,997, while total expenditures were $360,434 (expenses are combined with those for Agricultural lands).

Industrial/Commercial/Residential (ICR) Lands: The Department manages approximately 695 acres classified as ICR Lands under the 1995 AMP. Such land typically will have or be proximate to infrastructure (e.g., sewer, water and roads) and zoned for industrial, commercial or residential uses. Examples include the Skipanon Tract in Warrenton, the South and North Tongue Point marine industrial sites in Astoria in Clatsop County, four cabin sites on Lake Owyhee, and the agency's headquarters building in Salem. In FY 2005, ICR lands generated $793,264 in income, against an estimated $228,427 in expenditures. Almost all the revenue was generated from lease of office space in the Department's headquarters building.

Special Stewardship (SS) Lands: These lands are managed primarily to ensure the protection of scenic, natural resource, cultural, educational or recreation values. Properties classified under the 1995 AMP as Special Stewardship include the 4,771-acre South Slough National Estuarine Research Reserve in Coos County. Potential SS lands include State Scenic Waterways, federal Wild and Scenic Rivers, as well as individual tracts designated as conservation areas in the Oregon Natural Heritage Plan or as Special Stewardship by ODF.

Waterways: Approximately 800,000 acres of submerged and submersible lands are classified as Waterways. These include submerged and submersible land under the Territorial Sea (i.e., oceanward to the Three-Mile Limit), tidally-influenced land, and the non-tidally influenced bed and banks of 12 waterways and a number of lakes in the state. There are currently over 2,800 active waterway authorizations, including 437 waterway use leases and 23 sand and gravel licenses, with leasing activity concentrated along the Columbia and Willamette Rivers and coastal waterways. In FY 2005, Waterway leases generated over $2 million in revenues, against a total of $664,577 in expenditures.

Mineral and Energy Resources: The Department is responsible for the management, leasing, and sale of state-owned mineral rights on approximately three million acres throughout Oregon, on both the lands managed by the Department and lands held by other state agencies. Most of the Department's mineral rights are located in eastern Oregon, particularly in Lake, Harney and Malheur counties. These mineral rights generally occur as a "split estate," underlying the surface land owned by either a private party or another government agency, most often the Bureau of Land Management (BLM). Mineral lands generated $294,144 in revenues in FY 2005, against expenses of $51,792. Among the minerals produced on state-owned land are rock, diatomite and natural gas.

Energy Resources include solar, geothermal, hydropower, wave energy, and wind energy. To date, only hydropower resources have been developed on state land. However, opportunities exist for the future development of solar, geothermal, ocean and wind energy projects that could result in significant revenue to the CSF.

Common School Fund Distributions

Twice yearly, the Land Board distributes earnings from investments of the CSF to Oregon's K-12 public school districts based upon the number of school-age children (ages 4-20) in each county. In 2005, CSF receipts to Oregon's 198 public school districts totaled nearly $44 million; the 2006 distribution is estimated to be $45.5 million.

NEED FOR THE PLAN

Direction in the 1995 AMP calls for a periodic review and updating of the plan. Although much progress has been made in implementing the AMP, the Department and the Land Board have identified the need to:

- Respond to a changing asset management environment that includes rapid growth in Central Oregon, rising energy costs, increasing demand for recreational uses of public lands, and changes in the demand for forest resources;
- Respond to changes since the 1995 AMP adoption, including land sales, new administrative rules, establishment of Oregon Benchmarks as performance measures, growth of the CSF Revolving Fund, and a school funding crisis;
- Update land values and assess performance;
- Recommend performance targets;
- Provide updated and more specific management direction, including short-term implementation priorities;
- In accordance with ORS 273.245, recommend specific lands for retention, acquisition or disposal through exchange, sale or transfer of management responsibility; and
- Develop land acquisition and disposal criteria.

GOALS FOR THE PLANNING PERIOD

This Plan is intended to guide the management of CSF lands for the next ten years. The Plan establishes the following goals for that planning period:

- Retain core real estate assets;
- Increase the value of the real estate portion of the CSF portfolio and cash flow from those assets to the CSF;
- Rebalance the portfolio and create capital for reinvestment through investment in assets with high performance potential and the strategic disposal of selected assets;
- Through active management, increase the overall value of the real estate portion of the CSF portfolio;
- Establish priorities for management actions; and
- Balance revenue enhancement and resource stewardship.

KEY PLAN STRATEGIES

The Plan proposes to accomplish the goals identified through several key strategies:

Protect and retain a core base of lands for long-term revenue generation.

A core of permanent land ownership will be maintained that includes Elliott State Forest and the majority of Forest lands in Northwest and Southwest Oregon; nearly all Agricultural lands; blocked Rangelands; the Department's office building and certain ICR lands in urban areas or in the path of progress; South Slough National Estuarine Research Reserve; Waterways, with some exceptions; Mineral interest ownerships, except those determined to have little, if any, potential for development; and known energy resources.

Pursue the acquisition of lands that have a high probability for appreciation in value or the ability to consistently generate revenue over the long term for the CSF.

Priorities for acquisition will include: ICR lands in urban areas or in the path of progress, particularly in central Oregon; Agricultural and Forest lands throughout Oregon, with preference to lands west of Cascades; exchanges with the Bureau of Land Management (BLM) or other parties for lands in Central Oregon; and acquisitions or exchanges of surplus lands from other state agencies.

Evaluate for disposal lands that are not actively managed, difficult, or uneconomical to manage or are low revenue producers.

Opportunities will be evaluated and pursued to dispose of, through sale or exchange, any parcels within the CSF portfolio except those specifically identified for retention. Disposal may be considered on a case-by-case basis to maximize investments; to respond to market-driven opportunities for lands acquired for purposes of future disposal; for lands not meeting performance targets; for lands better managed by another entity; or to meet other public purposes (e.g., highway rights-of-way). Priorities for lands to be evaluated for disposal through sale or exchange during the planning period include unleased, isolated Rangelands (approximately 12,000 acres) and scattered Forest lands (approximately 12,000 acres).

Invest in lands that have a clear potential for appreciation in value.

Increased revenues would be generated through investment in higher value lands, most notably lands in central Oregon with urban development potential or within the path of progress. Other lands identified as having high return potential include Forest lands, ICR lands and renewable energy sites. Increased revenues would also be generated through investment in higher value lands (e.g., increased harvest activities on certain tracts of scattered Forest lands or commercial leases for urban or urbanizable lands).

Actively manage lands to meet or exceed performance targets established by the Plan.

A variety of performance measures and targets are established as tools to judge the financial performance of the CSF's real estate assets over the planning period. An annual increase of three to five percent is established as a target for return on asset value, net operating income, and land value appreciation. The goal for the increase in all annual revenue is 5-7% annually.

Both to assist the Department in prioritizing its limited resources and to provide meaningful comparisons among land classes and land types, categories of Active Management and Limited Management are applied to all CSF lands.

Reinvest proceeds from the sale of lands into new lands to be acquired and into improvements to lands with revenue-producing potential.

Reinvestment of proceeds from land sales in lands with high return potential is a key strategy to increase revenues over time. In keeping with ORS 273.413, land sale proceeds would be deposited into the Department's Land Revolving Account and invested in acquiring new lands or in improvements to existing real estate assets.

Ensure that leases and other use authorizations reflect market values.

Rates for leases and other use authorizations will be regularly reviewed and adjusted to reflect market values.

EXPECTED OUTCOMES

The Plan provides the policy direction and management principles to guide both the short- and long-term management of the CSF's real estate assets. Expected key outcomes of Plan implementation are:

- A balanced approach to revenue enhancement and resource stewardship.
- A consistent and sustained stream of revenue from the CSF to schools.
- A more aggressively managed portfolio, with a strong focus on ICR lands and Mineral and Energy Resources to generate new revenues.
- A rebalanced portfolio through investment in assets with high performance potential and the strategic disposal of selected assets.
- Market level rates for leases and other authorizations.
- Realistic performance targets that assist the Land Board and Department in measuring progress in achieving key outcomes.
- Investment standards that help determine the value of proposed land acquisitions and capital improvements.

The CSF real estate portfolio is rebalanced through the timely disposal of some land assets and investment/reinvestment in assets with greater return potential. It is expected that this rebalancing will be accomplished through:

- Completion of approximately 3,400 acres of in-lieu selections of federal land owed to the state.
- Reclassifications of over 35,024 acres of lands to better reflect their current and potential uses and to guide the Department in prioritizing land investments. The majority of the reclassifications are from Forest lands or ICR lands to Special Stewardship lands or from Rangelands to ICR lands. For example, the total acreage of lands classified as ICR lands increases from the current 695 acres to over 3,155 acres.
- Disposal in the short term of approximately 12,000 acres of unleased, isolated Rangelands and a significant proportion of 12,000 acres of Forest lands identified for evaluation for disposal.
- Disposal through sale or exchange on a case-by-case basis of assets not meeting management expectations; certain ICR lands for development purposes; and certain Special Stewardship lands to other entities to manage for resource protection.
- Use of land sale proceeds to acquire and/or improve ICR lands, Agricultural lands, Forest lands, and energy sites.

These and other Plan strategies would be expected to conservatively generate $5 to $10 million in gross revenues from land sales alone over the next five years and $20 to $25 million over the ten-year planning period. Timber harvests, leases, easements, rents and other use authorizations would add to the revenues generated. The Department's administration costs could increase as much as $1 to $2 million per biennium.

The results of Plan implementation are illustrated in the following table.

Rebalanced Land Portfolio, 2016

Land Class	Current Lands (1) (acres)	% of Portfolio	Classifications and Reclassifications (acres)	Adjustments (acres) (2)	Rebalanced Portfolio (acres)	% of Portfolio
Forest Lands	131,000	5.62	105,805	(9,000)	96,805	4.2
Agricultural Lands	5,700	0.24	5856	0	5856	0.27
Rangelands	634,000	27.22	630,866	(12,000)	618,866	26.8
ICR Lands	695	0.03	3,155	2,600	5,755	0.25
Special Stewardship Lands	4,771	0.21	38,352	(2,000)	36,352	1.6
Waterways	800,000+/-	34.35	795,340	0	795,340	34.4
Mineral and Energy Resources	753,000	32.33	753,130	(65)	753,065	32.6
Total	2,329,166	100	2,333,113	--	2,312,804	100

Notes:
(1) Prior to reclassifications by this Plan.
(2) Changes due to projected land disposal through sale or exchange and land acquisitions through in-lieu land selections. Land acquisition through reinvestment of land sale proceeds is not projected.

I. Introduction & Background

A. Introduction

The State Land Board (Land Board), through the Oregon Department of State Lands (Department), manages approximately 2.3 million acres of land owned by the State of Oregon, known as Common School Fund (CSF) lands. In December, 1995, the Land Board adopted an Asset Management Plan (AMP) to guide the management and disposition of lands in accordance with ORS 273.245 and to improve their long-term financial performance and revenue generation. **This 2006 Asset Management Plan (Plan) revises and replaces the 1995 AMP.** The overall purpose of this Plan is to provide policy guidance on how state-owned lands, both Trust and Non-Trust, should be managed by the Land Board and the Department to provide the greatest benefit for the CSF and the people of Oregon over the next decade.

This Plan:

- Revises and replaces the 1995 Asset Management Plan.
- Establishes a comprehensive real estate management philosophy.
- Provides proactive direction for management of the Board's real estate assets.
- Rebalances the real estate portion of the CSF portfolio.
- Identifies strategies to increase net revenues from CSF real estate assets.
- Provides a guide to balance revenue generation and resource conservation decisions.

Preparation of this Plan was initiated in the summer of 2004 as a collaborative effort of the Department; a consultant team led by Cogan Owens Cogan, LLC; and a seven-person Asset Management Plan Steering Committee established to provide key stakeholder input. (See Appendix B for a committee roster.) Working with Cogan Owens Cogan in this effort are Mason, Bruce & Girard, Inc. (natural resource and forestry management consultants); PGP Valuation Inc. (land appraisers); and an advisory team of real estate, land use, and sustainability specialists.

NEED FOR THE PLAN

The 1995 AMP has successfully guided the management of CSF lands for the past decade and the Land Board and Department have made major strides in fulfilling the implementation tasks identified in the AMP and in increasing contributions to the CSF. Key accomplishments include:

- Bringing lease rates up to market levels at time of lease renewal;
- Cost-benefit analysis for the Elliott State Forest;
- Rangeland management plans and improvements;
- Inventory of development on state-owned Waterways and a comprehensive review of waterway lease rates and procedures;
- Mapping of mineral ownerships;
- Administrative Rules to guide land sales and exchanges; easements and special use leases; and leases and other authorizations for the use of state-owned waterways;

- Master planning for the 640-acre Stevens Road tract on the east side of Bend;
- Sale of approximately 2,300 acres, generating $9.57 million for the CSF; and
- Exchange of approximately 8,100 acres for an equivalent amount of rangelands (7,790 acres) and forest lands (285 acres).

Direction in the 1995 AMP calls for a periodic review and updating of the plan. While much progress has been made in implementing the AMP, the Department and the Land Board have identified the need to:

- Respond to a changing asset management environment that includes rapid growth in Central Oregon, rising energy costs, increasing demand for recreational uses of public lands, and changes in the demand for forest resources;
- Respond to changes since the 1995 AMP adoption, including land sales, new administrative rules, establishment of Oregon Benchmarks as performance measures, growth of the CSF Revolving Fund, and a school funding crisis;
- Update land values and assess performance;
- Recommend performance targets;
- Provide updated and more specific management direction, including short-term implementation priorities;
- In accordance with ORS 273.245, recommend specific lands for retention, acquisition or disposal through exchange, sale or transfer of management responsibility; and
- Develop land acquisition and disposal criteria.

SCOPE OF THE PLAN

The scope of this Plan is limited to the real estate portion of the CSF portfolio. In preparing this replacement to the 1995 AMP, the intent has not been to start from scratch, but rather to perform a strategic assessment and update of existing management direction, focusing on opportunities to increase revenues. That assessment has included evaluation of:

- The overall management philosophy in the 1995 AMP to ensure that it provides a clear commitment to create a consistent and sustained stream of revenue for Oregon schools through proactive management of CSF lands;
- The Land Classification System adopted in 1995, including the need to reclassify parcels to better reflect their current and/or potential uses;
- Estimated land values for Forest lands, Rangelands, and Agricultural lands and for selected Industrial/Commercial/Residential (ICR) lands and Mineral and Energy Resources;
- Performance measures and targets for the overall real estate portfolio;
- Implementation strategies needed to achieve performance targets and to increase the total revenues from the Board's real estate assets;

- Lands to be retained; priorities for acquisition; and, pursuant to ORS 273.245, specific parcels that should be considered for future disposal through sale, exchange or transfer during the planning period;
- Criteria for acquisition and disposal, focusing on Forest, Agricultural and ICR lands; and
- Expected outcomes of Plan implementation.

GOALS FOR THE PLANNING PERIOD

This Plan is intended to guide the management of CSF lands for the next ten years. The Plan establishes the following goals for that planning period:

- Retain core real estate assets;
- Increase the value of the real estate portion of the CSF portfolio and cash flow from those assets to the CSF;
- Rebalance the portfolio and create capital for reinvestment through investment in assets with high performance potential and the strategic disposal of selected assets;
- Through active management, increase the overall value of the real estate portion of the CSF portfolio;
- Establish priorities for management actions; and
- Balance revenue enhancement and resource stewardship.

At the end of the planning period, the Plan's management direction will be re-evaluated to respond to the portfolio's performance, changing conditions, Land Board and Legislative direction, and funding constraints.

FACTORS AFFECTING ASSET MANAGEMENT PLANNING

A number of factors and trends affect the policy and strategic direction for the management of the Land Board's real estate assets over the life of this Plan. Key factors include:

- Oregon's population is expected to grow at a rate of about 1.2% per year over the next 10 to 15 years, with some regions likely to grow faster than the state average (e.g., Central Oregon, Southern Oregon). Deschutes County is expected to experience annual population increases almost twice the state growth rate until 2020. (Oregon Department of Administrative Services, Office of Economic Analysis)
- The cost of housing (a single family residence) in some areas (e.g., Bend) has risen rapidly (40% between 2000 and 2004). The influx of new residents bringing large amounts of cash equity into these markets has driven up real estate prices. Single-family residential building in Klamath County has surged in the last few years; building permits are 72% higher than last year and 154% from four years ago. Other regions of the state are having similar experiences. In these areas, a high demand for housing and especially affordable housing will continue.
- Energy (oil, gas and electricity) consumption and pricing will continue to affect the state, national and global economies. In keeping with Governor Kulongoski's 2006 Action Plan for Energy, Oregon will be seeking to strive for energy independence. The business climate for the research and development of alternative and renewable energy production will be robust. Interest in exploration for the traditional sources of energy, oil

and gas is increasing. The development of commercial-grade natural gas production is possible.

- Funding for Oregon's public schools (K-12) will continue to be hotly debated, as educators strive to meet the demands of the federal "No Child Left Behind" initiative, growth in student enrollments associated with population growth, a more diverse student population, and rising energy costs. The demand for sustained, predictable and ever-increasing funding from the CSF to local schools will continue.

- According to the most recent Oregon Statewide Comprehensive Outdoor Recreation Plan, the public has less disposable leisure time than in the past and is taking closer-to-home or shorter recreation trips. Public land managers are being asked to place an emphasis on the protection of streams, fish, wildlife habitat and threatened and endangered species. "Baby boomers"/retirees want recreation facilities with amenities and accessibility. Managing the conflicts between recreational users of public lands is increasing as demand for limited space increases and supply decreases (e.g., areas available for motorized recreation use).

- Aggressively managing forest lands for commercial timber production while meeting federal requirements (e.g. Endangered Species Act) will become more complex, expensive and time-consuming. At the same time, large tracts of Oregon forestlands are being bought and sold by Timber Investment and Management Organizations (TIMO's) and Real Estate Investment Trusts (REIT's). Investment in timbered tracts is justified because financial returns have been strong. A challenge to public forest trust land managers is to manage forest lands to produce competitive financial returns, while sustaining non-economic forest resources.

- According to ODF estimates, revenue from Trust lands timber harvest over the next 3 to 5 years is expected to range from $12 to 16 million per year. With nearly all the revenue coming from the Elliott State Forest, the impact of not having a Habitat Conservation Plan (HCP) for marbled murrelets has been and will continue to be significant. Revenue expectations are higher for the later years of the planning period, as the HCP is implemented. Annual timber harvest volumes on Trust lands on the Elliott are expected to increase by 10 to 15 million board feet per year under the new HCP. However, there will be higher costs associated with road maintenance and reforestation. Estimates of forest management costs for budgeting purposes are estimated to be 34-35% of revenues for the 2007-2009 biennium. Actual costs often fall below budget estimates. Future harvest levels for other CSFL are projected to be similar to past years.

- The Department's 600,000+ acres of southeastern Oregon Rangelands will continue to be used for livestock grazing, almost exclusively for cattle in cow-calf operations. As in the past, these lands will continue to increase in real estate value; however capturing a higher percent of that value through annual forage lease fees will continue to be difficult. The cost of management will increase in order to protect the lands from encroachment by noxious weeds. Energy production and recreation may represent revenue generation opportunities, particularly on blocked Rangelands.

- The number of sand and gravel operators taking aggregate from Oregon's navigable waterways (other than the Columbia) is expected to decline due to a reduction in available material, and water quality and endangered species issues. However, revenues will likely remain steady or increase due to annual royalty fee increases and the removal of material associated with the Columbia River channel deepening project. Continued urban growth in the Portland Metro area, along with highway and bridge construction, will create a demand for this material.

- The Oregon Investment Council (OIC) retains an external consulting firm to provide future expected rates of return on broad asset classes, in addition to helping the OIC establish asset allocation targets. The current target asset allocation for the CSF is 50 percent domestic equity, 20 percent international equity, and 30 percent fixed income. Based on this strategic asset allocation, the expected return on the CSF is approximately 8.1%.

B. Differences From 1995 Plan

As previously noted, the 1995 AMP has successfully guided the management of CSF lands for the past decade. The intent of this Plan has been to update and expand that management direction, focusing on opportunities to increase revenues to the CSF. To that end, the Plan reaffirms the overall management philosophy in the 1995 AMP while establishing a more aggressive approach to revenue generation.

Key differences from the 1995 AMP include:

- More specific management direction, including implementation strategies for each land class and for specific types of land or parcels within those land classes;
- Short-term implementation priorities;
- Reclassifications of certain lands to better reflect their current and/or potential uses;
- Identification of energy resources, including renewable energy resources, as a significant potential revenue generator;
- Establishment of realistic performance measures and targets to assist the Department and Land Board in measuring the plan's progress;
- Establishment of land acquisition and disposal criteria;
- Identification of specific lands for retention, acquisition; and
- Identification of key outcomes or indicators of Plan success.

C. Background

Approximately 2.3 million acres of State-owned lands and mineral rights are managed by the Land Board (consisting of the Governor, Secretary of State and State Treasurer) as CSF lands. The Department acts as the administrative arm of the Land Board.

Of the 2.3 million acres, 1.6 million acres are fee simple lands, of which approximately 785,750 acres are surface lands and 800,000 acres are submerged and submersible lands or waterways. In addition, the Department holds surface and subsurface mineral rights on 410,000 acres; it holds subsurface rights only on 753,000 acres. It manages mineral rights for other agencies on approximately 2.1 million acres. Although the Department manages the mineral rights on all state-owned lands, this Plan does not address land owned by other agencies, for example, by the Oregon Department of Fish and Wildlife, Oregon Department of Parks and Recreation, or Oregon Department of Corrections.

CSF lands comprise 3.7% of the acreage in Oregon and are located in all of the state's 36 counties. Table 1 lists CSF surface land acreages by county. Figure 1 depicts the statewide location of CSF land ownerships.

Table 1. CSF Surface Lands by County (acres)

County	Total
Baker	3,231
Benton	736
Clackamas	135
Clatsop	2,292
Columbia	80
Coos	59,894
Crook	9,748
Curry	2,662
Deschutes	45,119
Douglas	34,834
Gilliam	1,280
Grant	4,126
Harney	193,561
Hood River	1,137
Jackson	2,347
Jefferson	228
Josephine	4,850
Klamath	9,860
Lake	99,369
Lane	1,994
Lincoln	5,633
Linn	110
Malheur	281,499
Marion	1,062
Morrow	3,109
Multnomah	30
Polk	1,614
Sherman	242
Tillamook	5,547
Umatilla	502
Union	1,188
Wallowa	2,204
Wasco	1,490
Washington	360
Wheeler	3,592
Yamhill	89
TOTAL	**785,754**

HISTORY OF CSF LAND MANAGEMENT

The 1859 Oregon Admission Act granted to the State thousands of acres of unsurveyed federal land for public schools, universities, capital buildings and roads (called "internal improvements"). Although states entering the Union before Oregon received one section within every township for their public schools, Oregon's grant was for two sections (Sections 16 and 36) per township. Congress also granted the state lands known as "swamplands" (i.e., marshy, swampy and seasonally inundated areas to be drained and developed) and navigable waters.

The school lands were endowed as a "trust" to benefit Oregon's public school age children. The intent was that the sale and/or management of these lands result in adequate funding for schools. These lands have become known as “Common School Fund Lands”. The other lands granted to the State were not subject to this trust responsibility.

The lands granted through the Oregon Admission Act (not including the navigable waters) totaled approximately 4.2 million acres. These included 3.4 million acres of School Trust lands; 265,000 acres of Swamplands; and 500,000 acres of Internal Improvements lands.

Initially, the strategy was to sell these lands to promote settlement, aid westward expansion and to capitalize what was then known as the “Irreducible School Fund”. This Fund included the proceeds from all school land sales, as well as the proceeds from any swampland sales or navigable waterway activities (e.g., sand and gravel royalties). Fund monies were invested in bonds or loaned for farm, ranch and city home mortgages.

From 1859 to 1878, school lands were sold by county school superintendents as they saw fit, absent any laws or rules governing such sales. The 1887 Legislature established a sale price of $1.25 per acre, which was increased by the 1903 Legislature to $2.50 per acre. By 1907, over 3 million acres had been sold for an average price of $2.16 per acre.

Significant changes to the land sale system were enacted by the 1907 Legislature. It required all land sales be made through application, all land be appraised, and the final sale price be negotiated based on the appraisal. Later legislative changes required that land sales valued at more than $1,000 be sold by competitive bid and limited the amount of land a person could acquire to 320 acres. By this time, land was selling for $6 to $15 per acre. Starting in 1934, salaried appraisers were employed.

Records indicate that a 320-acre per person limit and the $2.50 per acre sales price slowed the pace of land sales, particularly of remaining eastern Oregon rangelands.

Since much of the State was unsurveyed at the time of statehood, the precise location of School Trust lands was difficult, if not impossible, to verify. Buyers bought up or applied for land as soon as it was surveyed. Congress established federal forest reserves and Indian reservations over the unsurveyed land. Consequently, Sections 16 and 36 in some areas became unavailable to the State. In addition, practically all of the most valuable Sections 16 and 36 land in the Willamette, Umpqua and Rogue River valleys had been homesteaded prior to statehood. To compensate, the federal government authorized the State to select and acquire other unreserved, surveyed federal land in lieu of the lands that were no longer available. Lands obtained by the State in this manner are referred to as “in lieu lands” or “indemnity selections”. Currently, the Department is negotiating with the federal government to complete the selection of these lands.

In 1943, the Legislature transferred World War I Veteran’s Commission assets to the Land Board. As many veterans’ loans were defaulted, the lands reverted to the state and became school lands. The Board also periodically foreclosed on its farm, ranch and city home loans. Some of these lands remain in the Board’s land inventory today.

By 1961, about 800,000 acres of school lands remained unsold. While most was under grazing leases, 123,058 acres were being actively managed as forest lands by the Oregon Department of Forestry (ODF). Sand and gravel royalties from navigable waterways were collected from about 25 operators and about 75,000 acres were leased to oil companies.

Management of the eastern Oregon grazing lands was a difficult task in the early days, primarily due to the unconsolidated nature of the holdings (Sections 16 and 36). In 1937, the Land Board entered into a ten-year agreement with the federal government (Grazing Service), whereby the federal agency managed 90,000 acres of Common School land intermingled with federal ownerships. The state shared in the rental proceeds, about ½ cent per acre. Later, the agreement was extended by five years, with the rent income increasing to one cent per acre. Between 1942 and 1952, about 80,000 acres was rented to the U.S. Department of the Interior at an annual rent of 2½ cents per acre. In 1960, grazing lands were being leased for 5 to 7 cents per acre.

By 1980, the Land Board was actively engaged in a blocking and land exchange program with the federal government (Bureau of Land Management) in eastern Oregon, aimed at consolidating the scattered rangelands into blocks. By the late 1980's, over 500,000 acres of State and federal lands had changed hands, resulting in the creation of large blocks of Common School Trust rangeland in Lake, Harney and Malheur counties.

TRUST AND NON-TRUST LANDS

As a trustee, the Land Board has a legal obligation to manage CSF 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. Its responsibilities differ for Trust and Non-Trust Lands. The distinction stems from how these lands came under Land Board jurisdiction.

Trust Lands

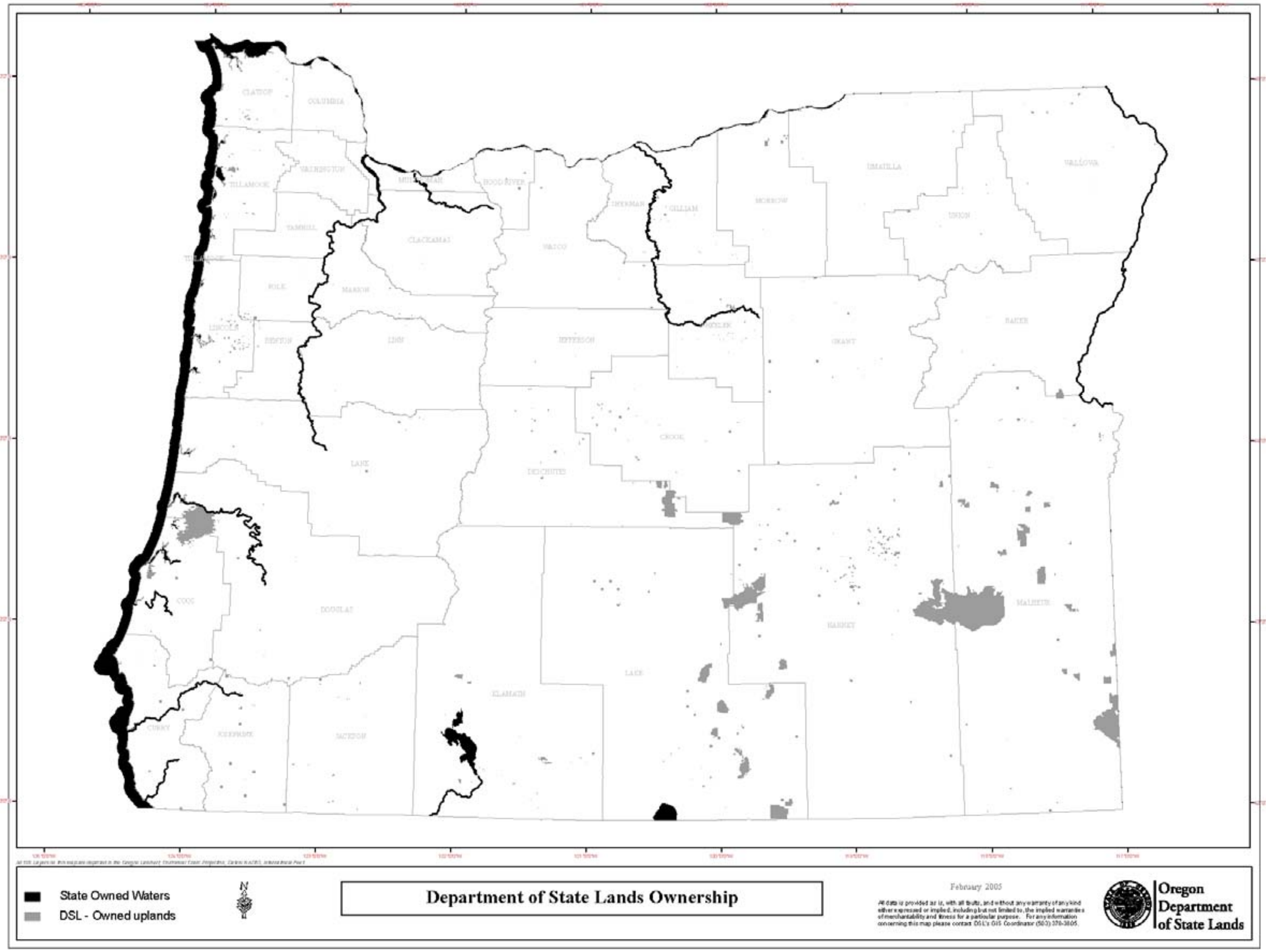
Trust lands are those lands granted by the United States to the State "for the use of schools" upon its admission into the Union. Almost all of the uplands managed by the Land Board and Department are Trust lands. They include Sections 16 and 36 in each township and other lands in lieu of Sections 16 and 36 if they were not available at the time of statehood. Other lands are Trust lands because they are designated as such by the Legislature (e.g., South Slough National Estuarine Research Reserve) or because they have been acquired with CSF funds (e.g., Department's headquarters building in Salem). The primary obligation of the Land Board, as trustee, is to manage and protect these lands for the maximum short and long-term benefit of the public schools, consistent with sound stewardship/ conservation and business management principles.

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 conserve specific properties and investments may be made 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 benefits as 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

DRAFT Figure 1: State Lands Ownership DRAFT



opportunities. A major challenge for the AMP is to provide consistent management direction for the present, while retaining the necessary management flexibility for the future.

Non-Trust Lands

Non-Trust lands include Waterways, approximately 25,000 acres of Rangelands, and some tracts in other land classes. 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 lands. Neither the Oregon 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 used to support schools and the Department's statutory programs (e.g., wetlands and waterway conservation). In accordance with the Oregon Public Use Doctrine, the paramount goal of the state's management of Waterways is to avoid unreasonable interference with public navigation, recreation, fisheries and commerce. Thus, there is a need to apply sound stewardship, conservation and business management principles in managing Non-Trust lands.

LEGAL CONTEXT

CSF lands are managed based on constitutional and statutory mandates, authorizations, administrative rules, attorney general opinions, and Land Board policies. Key legal directives are summarized below.

Constitution

The Oregon Constitution directs that the Land Board "shall manage lands under its jurisdiction with the object of obtaining the greatest benefit for the people of this state, consistent with the conservation of this resource under sound techniques of land management." (Constitution Article VIII, Section 5(2); Amendment proposed by H.J.R. 7, 1967, and adopted by the people May 28, 1968).

Admission Act

The 1859 Congressional act admitting Oregon into the Union requires that Admission Act (Trust) lands be managed not only in a manner consistent with the state's Constitution, but also to obtain full market value from its sale, lease or other use. As trustee for this land, the Land Board and Department are obligated to manage these lands to maximize revenues over the long-term for the use of schools, consistent with sound stewardship, conservation and business management principles. (See *Crookham Opinion* below and Appendix C for additional details).

Statutes

A variety of statutes guide the management of CSF lands. Of greatest relevance are:

- ORS Chapter 197: Wetlands and Rivers; Removal and Fill; Ocean Resource Planning
- ORS Chapter 270: State Real Property
- ORS Chapter 271: Use and Disposition of Public Lands Generally; Easements
- ORS Chapter 273: State Lands Generally
- ORS Chapter 274: Submersible and Submerged Lands

- ORS Chapter 390: Oregon Scenic Waterways
- ORS Chapter 517: Mining and Mining Claims
- ORS Chapter 552: Geothermal Resources
- ORS Chapter 530: Acquisition and Development of State Forests
- ORS Chapter 758: Utility Rights of Way

Crookham Opinion

The most complete description of Admission Act and Oregon Constitution mandates for managing CSF lands is found in a 1992 opinion by Oregon Attorney General Charles Crookham. Excerpts, attached as Appendix C to this Plan, include:

- For the purposes of Admission Act (Trust) lands, the "greatest benefit for the people" means to use the land for schools and the production of income for the Common School Fund.
- These management responsibilities require the Land Board to obtain full market value from the sale, rental or use of Admission Act lands, while conserving the corpus of the trust.
- This obligation has previously been characterized as a duty to maximize the value of, and revenue from, these lands over the long term for current and future beneficiaries.
- The Land Board may have good trust reasons for conserving resources that have little or no commercial value at the present time. With conservation of productive trust property as its goal, the Land Board must view the land resource as an interrelated whole.

State Land Board Statements of Policy

The Land Board has stated that it has no intention of selling the Elliott State Forest because of its importance to the CSF portfolio (June, 2004). Similarly, the Land Board has issued a Statement on Rangelands, indicating that it has no intention of selling large tracts of currently leased Rangelands. Rather, the Land Board indicated that it would give priority to selling smaller, isolated tracts of unleased Rangelands and a lower priority to selling small isolated leased tracts that are difficult to manage and make good business sense to sell (June, 2004).

COMMON SCHOOL FUND

The Common School Fund includes two types of assets—financial assets (e.g., cash and investment 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 Plan (as well as the 1995 AMP) addresses management of all the Land Board's real estate assets. It does not address the Fund's financial assets, the management of which are overseen by the State Treasurer in accordance with the asset allocation established by the Oregon Investment Council. In recent years, Fund values have ranged from $600 to over $1 billion, depending on market conditions. As of June 30, 2006, the value was $1.014 billion. Total administrative costs in 2005 were approximately $488,000. 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 Department are conservatively valued at approximately $682 to $899 million (see Section III.A). Contributions to the CSF from real property assets are derived from a variety of business activities. For example, rangelands are leased for grazing; timber is sold; and waterway areas are leased for such uses as sand and gravel removal, houseboat moorages, marinas and log storage. Other CSF revenue sources include escheated estates (where there is no will or known heir); earnings on unclaimed property held in trust; gifts to the state not designated for some other purpose; and tax revenues from production, storage, use, sale or distribution of oil and natural gas.

Distribution of Earnings

Twice yearly, the Land Board distributes earnings from investments of the CSF to Oregon's K-12 public school districts based upon the number of school-age children (ages 4-20) in each county. Beginning in January, 2006, the Department forwards funds to the Oregon Department of Education, who then distributes them to school districts. Previously, the Land Board sent the funds to county treasurers who then distributed the monies to schools.

Also beginning in January, 2006, the distribution of earnings from the Common School Fund is based on a three-year, rolling average of the change in the Fund's value. In FY 1999/2000, the Land Board had adopted a distribution formula that was based on a sliding scale of 2-5% of the annual change in the Fund's value. The new three-year rolling average formula is intended to prevent the large variations in annual distributions that occurred during the past five years.

In 1871, the first distribution of $39,452 from Fund earnings was made, based on 34,055 school children, or $1.16 per capita. In 1920, $432,267 was distributed based on 213,994 students, or $2.02 per capita. In 2005, CSF receipts to Oregon's 198 public school districts totaled nearly $44 million; the 2006 distribution is estimated to be $45.5 million. A 15-year history of CSF distributions is illustrated in Figure 2.

Land Management Funding and Costs

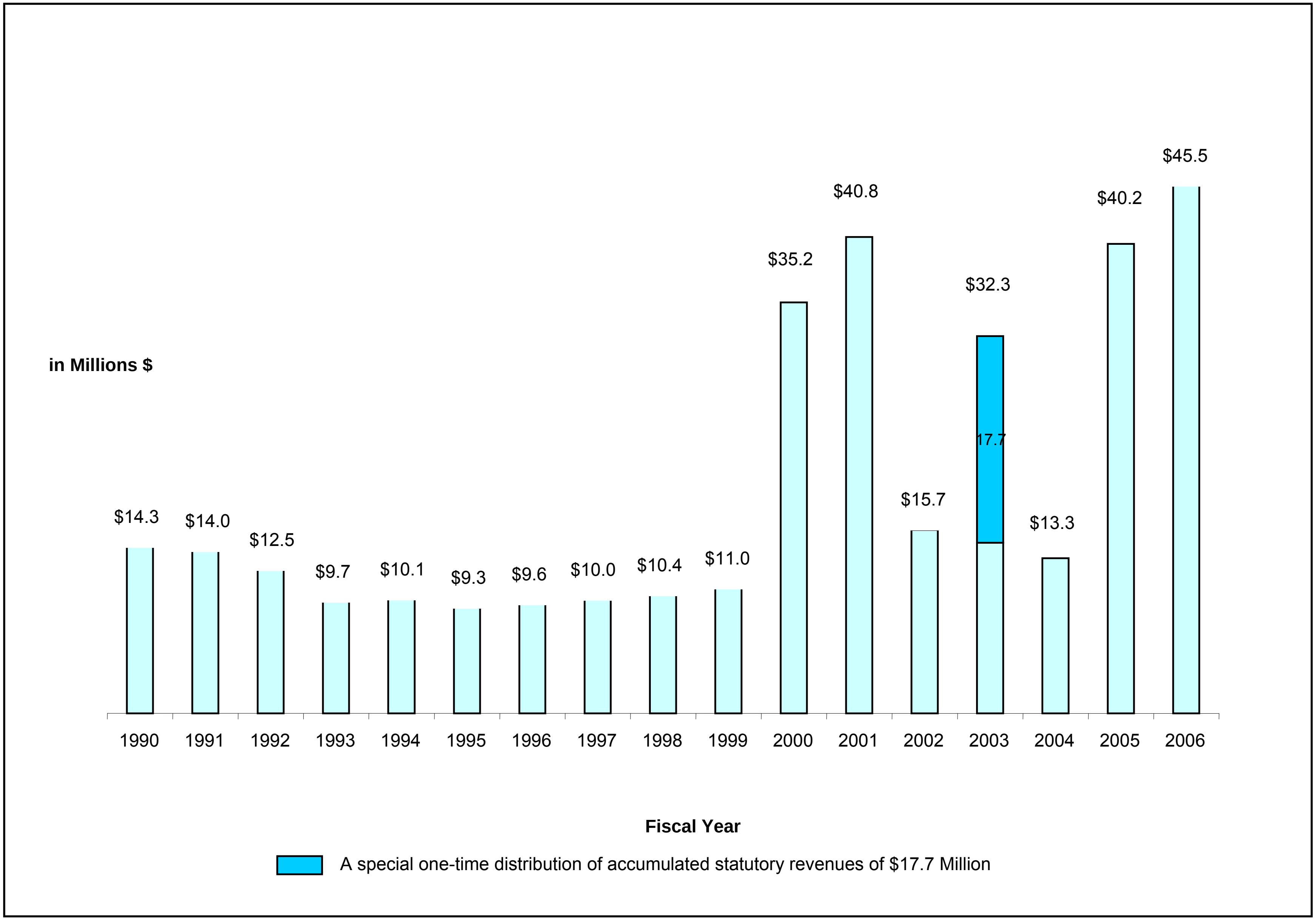
The Department's land management operations, including capital improvement and maintenance, are funded through ongoing appropriations from the Common School Fund (ORS 273.115), based upon a biennium budget approved by the Land Board and the Legislature. Costs of land management, other than capital improvements and maintenance, are drawn from CSF earnings (i.e., earnings from investments in stocks and bonds). Capital improvements and maintenance funds are usually drawn from the CSF principal.

Administration, planning and on-the-ground land management is carried out by the Department's Land Management Division comprised of 20 positions and supervised by the Assistant Director for Land Management, who reports to the Department Director. The Division's biennial budget is about $3 million. ODF contractual expenses for Forest land management total about $10 to $11 million per biennium. Land management costs for the South Slough National Estuarine Research Reserve are approximately $500,000 annually. South Slough is managed as a separate unit of the Department, with its Manager reporting to the Director and to a South Slough Reserve Management Commission.

Land Revolving Account

This account within the Common School Fund was established in 1987 and later revised in 1995 (ORS 273.413). It was set up as a means to finance investments in land through the sale "…of isolated sections and fragments of sections state lands not suitable for management according to long-range policies of the State Land Board." The funds in the account "…are

Figure 2: Common School Fund Distributions, 1990 to 2005



continuously appropriated for the acquisition of lands and other suitable investments as directed by the Board, in consultation with the Oregon Investment Council." The balance in the account is about $4.5 million (March 2006). Allowable uses of the account include land acquisition and land improvements to a parcel to increase land value in preparation of a sale.

II. Land Classification

A key element of the Asset Management Plan is a system to classify the agency's lands in a meaningful way. The 1995 AMP established a Land Classification System (LCS) of seven land classes that distinguish lands by suitability for both existing and potential uses and as a tool to apply broad management prescriptions to categories of land uses. The LCS is used by the Department to categorize and manage state land based on the primary uses identified for each land class. Secondary uses (e.g., telecommunications sites, pipeline easements, public recreation, and road rights-of-way) are allowed as long as they do not substantially interfere with the primary uses.

This Plan:

- Reaffirms the value of a land classification system as a means to organize information and compare the financial performance of different types of land, waterways, and mineral and energy resources.
- Reaffirms the LCS adopted in 1995, except: the "Special Interest" lands class is renamed to "Special Stewardship" to better reflect the nature of these lands and to correspond to Oregon Department of Forestry's (ODF) land classification system; and the Mineral lands class is expanded to include energy resources in recognition of the revenue generation potential of solar, geothermal, hydropower, ocean, and wind energy.
- Classifies lands currently unclassified and reclassifies a number of parcels to better reflect their current or potential uses.
- Establishes Active and Limited management categories to provide additional direction on how specific categories or parcels of land are to be managed.

A. Current Asset Base by Land Class

As noted above, this Plan reaffirms the value of the LCS developed as part of the 1995 AMP as a means to organize information and compare financial performance by types of land, based upon their predominant land uses. It incorporates the seven land classes utilized in the 1995 AMP, with two exceptions:

- The "Special Interest" land class is renamed to "Special Stewardship," both to better reflect the management of these lands for stewardship (or non-revenue production) purposes and to correspond to ODF's land classification system. The majority of lands to be classified through this Plan as Special Stewardship are CSF lands managed by and currently designated by ODF as Special Stewardship lands.
- The "Mineral" lands class is replaced with a "Mineral and Energy Resources" class to reflect the potential for geothermal, ocean and wind energy development on CSF lands during the planning period.

The CSF's real estate portfolio consists of approximately 2.3 million acres of Forest lands, Agricultural lands, Rangelands, Industrial/Commercial/Residential (ICR) lands, Special Stewardship lands, Waterways, Mineral and Energy Resources, and unclassified lands. Table 2 details this current asset base, prior to classification of unclassified lands or reclassification of specific parcels or types of land through this Plan.

Table 2. Asset Inventory, July 2006

Land Classification (1) (2)	Total Acres	No. of Leases/ Permits or Other Authorizations	% of Total CSF Lands
Forest Lands	131,000	8 easements 1 oil and gas lease 3 communication site leases	5.62
Agricultural Lands	5,700	9 agricultural leases 1 miscellaneous lease	0.24
Rangelands	634,000	143 forage leases 30 easements/rights of entry 14 communication site leases 2 special use leases	27.22
ICR Lands	695	3 special use leases 4 cabin site leases 4 DSL building tenants 2 easements	0.03
Special Stewardship Lands	4,771	None.	0.21
Waterways	800,000+/- (3)	437 waterway leases 1,917 registrations 318 easements/rights of entry 217 public facility licenses 18 temporary use permits 23 sand and gravel licenses 9 oil and gas leases	34.35
Mineral and Energy Resources	753,000 (4)	1 upland quarry lease 3 oil and gas leases 1 hard mineral lease	32.33
Totals	2,329,166	3,168	100

(1) Various statutes refer to land classifications based on how lands were obtained by the state (ORS 273.251). The AMP system of classifying land is based on primary land uses.

(2) Approximately 5,400 acres of unclassified lands have been incorporated into these land classes for reporting purposes. This Plan classifies those lands based upon location, size and current and potential uses (Appendix D).

(3) Waterways consist of approximately 200,000 acres of submerged and submersible lands and 600,000 acres of state land within the Territorial Sea.

(4) This acreage represents "split estates" in which DSL owns the mineral rights but not the land associated with those rights (subsurface ownership only). In addition to this acreage, DSL also manages 410,000 acres of CSF land with mineral rights included in other land classes and approximately 2.1 million acres of mineral rights underlying acreage owned by other state agencies.

FOREST LANDS

All Forest lands are Trust lands. Forest land is managed primarily to produce merchantable timber on a sustainable basis in accordance with a plan developed by forest managers. CSF lands managed by the Department include about 131,000 acres of Forest lands, primarily in the Elliott State Forest (about 85,000 acres) in the Coast Range northeast of Coos Bay. Other major holdings are within the Sun Pass State Forest (6,400 acres), including the 3,037-acre Yainax Butte parcel near Klamath Falls and forest lands in northwest and southwest Oregon (about 26,000 acres), including lands within the Clatsop, Tillamook, and Santiam State forests. The Land Board contracts with the Oregon Department of Forestry (ODF) to manage the majority of CSF Forest lands, referred to as certified Forest lands. ODF also manages state-owned forest lands under the jurisdiction of the Board of Forestry (BOF). Management planning for Land Board and BOF lands is integrated within each ODF administrative unit or planning area. Approximately 7,000 acres that the Department directly manages are referred to as de-certified Forest lands (see Glossary).

The Elliott State Forest is managed under a Forest Management Plan (FMP) and Habitat Conservation Plan (HCP) adopted in 1995 and currently under revision. The HCP is one of the few federally approved HCPs for state forest lands in the nation. The plan enables forest managers to meet the requirements of the federal Endangered Species Act for northern spotted owls, although for the first six years of the plan the HCP also included marbled murrelets (that portion of the HCP addressing marbled murrelets has expired).

Forest land revenues provide the Common School Fund's largest single land-based revenue source. In FY 2005, Forest lands generated $19.1 million in revenues, while expenditures totaled $5.2 million. Since 1988, Forest land gross revenue has exceeded $210 million. According to DOF estimates, revenue from timber harvests on CSF Forest lands managed by ODF is expected over the next 3 to 5 years to be about $12 to $16 million per year. With nearly all the revenue coming from the Elliott State Forest, the impact of not having an HCP for marbled murrelets has been and will continue to be significant. Revenue expectations are higher for the later years of the planning period, as the HCP is put into effect. Annual timber harvest volumes on Trust lands on the Elliott are expected to increase by 10 to 15 million board feet per year under the new HCP. Estimates of forest management costs for budgeting purposes are estimated to be 50% of revenues for the 2007-2009 biennium. Actual costs often fall below budget estimates.

AGRICULTURAL LANDS

Approximately 5,700 acres are classified as Agricultural lands. In FY 2005, agricultural land revenues totaled $161,842. Expenses are combined with those for Rangelands. All of the agricultural leases are in central and eastern Oregon.

Agricultural lands possess a combination of characteristics such as, but not limited to, Class I-IV soils (as identified by National Resource Conservation Service’s Soil Capability Classification System) and favorable precipitation, growing season and water availability. The lands may be developed (for example, cultivated, irrigated, fenced, etc.) for the production of all types of agriculture commodities.

RANGELANDS

The Department manages approximately 634,000 acres of Rangelands located primarily in central and eastern Oregon (Lake, Harney and Malheur counties). Much of this land is arid or semi-arid rangeland and contains vegetation consisting of grasses, grass-like plants, forbs and shrubs suitable for grazing.

About 98% of Rangelands are leased, with 143 active forage leases in FY 2005. Of these, 43 are leases on large blocked parcels of more than 1,000 acres each. The remainder are approximately 100 smaller "isolated" parcels that are difficult to manage due to size, isolation, and lack of access. Together, the Department’s leases have a carrying capacity of about 62,800 animal unit months (AUMs; the amount of forage necessary to feed one cow and one calf for one month). Lease fees are recalculated annually based on a formula established by the Land Board in 1995. Between 2000 and 2006, the fee increased by 35% from $3.64 to $5.60 per AUM.

In addition to forage leases, there currently are 14 communication site leases; 24 easements and rights of entry; and 2 special use leases in effect on Rangelands. Total revenue generated in FY 2005 was $477,997, while total expenditures were $360,434 (includes Agricultural lands expenses). A portion (12.5%) of grazing lease revenues are specifically allocated for Rangeland land improvements.

Rangelands are managed pursuant to rangeland management plans developed by Department staff in consultation with the lessee and other interested parties such as the Oregon Department of Agriculture, Oregon Natural Desert Association, and the Oregon Department of Fish & Wildlife. These plans contain, among other things, grazing schedules by pasture and specific management objectives for the leasehold.

Wildland fire protection is provided by the U.S. Department of the Interior, Bureau of Land Management (BLM), through a contract. The BLM does the initial attack on wildland fires on rangelands and provides the first 24 hours of fire suppression at no cost. The cost of additional fire control efforts are billed to the Department. Since inception of the agreement in 2002, the Department has paid about $200,000 to the BLM to control fire on about 400 acres.

In March, 2004, the Oregon Secretary of State's Audits Division released an audit that examined whether the Land Board and Department are maximizing the long-term income generated by Rangelands. The two principal recommendations from that audit are:

- The Department should sell all or part of its Rangelands through an open competitive bidding process or exchange all or part of these lands for better performing assets; and
- The Department should obtain market rates for Rangeland leases either by reinstating competitive bidding for leases or by increasing grazing fees to market rates.

Although the Department concurred with many of the audit findings, it noted in its response that the contention by the Audits Division that the Department is not receiving market lease rates is questionable and that the agency is prohibited by contracts with lessees from using competitive bidding for assigning or renewing currently valid leases.

In summer of 2004, the Department established a Grazing Fee Advisory Committee to review the grazing fee formula. In June 2006 in response to Committee recommendations, the Land Board authorized the Department to initiate rulemaking to set a minimum fee of $4.25 per AUM for a grazing fee formula, establish an annual minimum grazing lease fee to cover the Department's administrative costs, and make "housekeeping" changes." The Committee also recommended that the Department explore alternative uses of Rangelands in an attempt to raise additional revenue (e.g., energy production and recreation).

Industrial/Commercial/Residential (ICR) Lands

The Department manages approximately 695 acres classified under the 1995 AMP as ICR Lands. Such land typically will have or be proximate to service infrastructure (e.g., sewer, water and roads) and be zoned for industrial, commercial or residential uses. Urban industrial/ commercial/residential land, by definition, is located within an urban growth boundary. Rural land is located outside urban growth boundaries and can include land designated as Urban Reserve or within Urban Unincorporated Communities.

Currently, a limited number of sites fall into this classification. Examples include the Skipanon Tract near Warrenton, South and North Tongue Point marine industrial sites in Astoria, four cabin sites on Lake Owyhee, and the agency's headquarters building in Salem.

In FY 2005, ICR lands generated $793,264 in income, against an estimated $228,427 in expenditures. Almost all the revenue was generated from lease of office space in the Department's office building.

SPECIAL STEWARDSHIP LANDS

Through this Plan, the former Special Interest (SI) class is renamed to Special Stewardship (SS). These lands are managed primarily to ensure the protection of scenic, natural resource, cultural, educational or recreation values. This class may include both Trust and Non-Trust lands. Under the 1995 AMP classification system, properties classified as Special Interest Lands were limited to the 4,771-acre South Slough National Estuarine Research Reserve (NERR) in Coos County. Potential SS lands include State Scenic Waterways, federal Wild and Scenic Rivers, as well as individual tracts designated as conservation areas in the Oregon Natural Heritage Plan or as Special Stewardship by ODF.

The renaming of this land class to Special Stewardship is in large part intended to ensure coordination between the Department's and ODF's land classification systems. The majority of lands to be classified through this Plan as Special Stewardship are CSF lands managed by and currently designated by ODF as Special Stewardship lands. ODF, as contract manager for the majority of CSF Forest lands, classifies the lands under its management as General Stewardship, Focused Stewardship, or Special Stewardship. Special Stewardship lands are generally managed for uses other than timber production, e.g. aquatic and riparian habitat, energy and minerals, visual quality, or transmission corridors and sites.

South Slough NERR was the first reserve designated under the National Estuarine Sanctuary Program. Under this program, healthy estuarine ecosystems that typify different regions of the county are designated and managed as sites for long-term research, and are used as a base for estuarine education and interpretation programs. The Reserve is administered as a partnership between the National Oceanic and Atmospheric Administration (NOAA) and the Department. NOAA provides funding, national guidance and technical assistance. A 2006-2011 Management Plan guides the work of the Reserve. Daily operations are managed by the Department with direction from the South Slough NERR Management Commission. The Department holds title to the lands within the NERR and manages them as CSF assets.

WATERWAYS

Approximately 800,000 acres of submerged and submersible lands are classified as Waterways. These include submerged and submersible land under the Territorial Sea (i.e., oceanward to the Three-Mile Limit), tidally influenced land, and the non-tidally influenced bed and banks of 12 waterways and a number of lakes in the state. Waterways are Non-Trust lands.

The Department issues several types of authorizations for the use of state-owned submerged and submersible lands, including easements, leases, licenses, temporary-use permits and registrations. There are currently over 2,800 active waterway authorizations, including 437 waterway use leases and 23 sand and gravel licenses, with leasing activity concentrated along the Columbia and Willamette Rivers and coastal waterways. In FY 2005, Waterway leases generated over $2 million in revenues, against a total of $664,577 in expenditures

State ownership of waterways is established by the Oregon Admission Act and federal common law, including the Equal Footing Doctrine. Public rights of fishing, navigation, and commerce are "public" interests that apply to all tidelands, shorelines and underlying beds. The extent of public waterway ownership is determined by tidality or by title navigability. By tidality, most of the submerged and submersible lands subject to the ebb and flow of the tides are publicly owned. In some cases, lands between the ordinary high and low tide on tidelands have been sold to private interests. Since 1995, state ownership of waterways (except meandered lakes) is based on a determination by the Land Board that they are title navigable, i.e., they were used or susceptible to use as a highway of commerce at time of statehood (ORS 274.402).

MINERAL AND ENERGY RESOURCES

As previously noted, the Mineral lands class in the 1995 AMP is expanded in this Plan to include energy resources. The dominant use of lands in the Mineral and Energy Resources class is the exploration for and development of mineral and energy resources; however, other uses, e.g., agricultural or rangeland uses, will typically also occur.

Mineral Resources

For Minerals, the classification is applied to: (1) all state-owned parcels of subsurface mineral ownership interest, and (2) lands where the dominant use is associated with mineral resource development or exploration. (See Appendix A for a definition of mineral resources.)

The Department is responsible for the management, leasing, and sale of state-owned mineral rights on approximately three million acres throughout Oregon. ORS 273.780 gives the Land Board authority for mineral and geothermal rights on most lands owned by the State of Oregon. These mineral rights occur on both the lands managed by the Department, as well as on lands owned by other state agencies. Approximately 753,000 acres occur in "split estates," in which the Department owns the mineral rights but not the land surface associated with those rights. In addition to this acreage, the Department also manages 410,000 acres of mineral rights underlying Department land (which are included in other land asset classifications), and 2.1 million acres of mineral rights underlying surface acreage owned by other state agencies, such as ODF. The Department receives compensation from the production of minerals from these lands in the form of royalties on the value of the minerals mined, as prescribed by statute and/or administrative rule.

Mineral lands generated $294,144 in revenues in FY 2005, against expenses of $51,792. Among the minerals produced on state-owned land are rock, diatomite and natural gas.

Most of the Department's mineral rights are located in eastern Oregon, particularly in Lake, Harney and Malheur counties. These mineral rights generally occur as a "split estate," underlying the surface of land owned by either a private party or another government agency, most often the BLM. Throughout the rest of Oregon, the Department's mineral rights typically are associated with scattered state-owned parcels, large forested areas, and state-owned submerged and submersible land.

Although the Department of Geology and Mineral Industries (DOGAMI) is the regulatory agency for the development and reclamation/abandonment of mineral resources, the Department of State Lands manages the following mining activities on state-owned lands:

- Exploring for mineral deposits;
- Collecting mineral samples, including petrified wood and semi-precious stones;
- Recreational mining such as panning, sluicing, or dredging for gold or other metals in or along Oregon's state-owned streams;
- Developing or mining mineral deposits; and
- Removing sand and gravel/rock from both upland as well as submerged and submersible lands.

Energy Resources

Energy Resources include solar, geothermal, hydropower, wave energy, and wind energy sites. To date, only hydropower resources have been developed on state land. However, opportunities exist for the future development of solar, geothermal, ocean and wind energy projects that could result in significant revenue to the CSF.

<u>Solar Energy</u>

According to energy experts, the West has great potential for solar energy production. The development of large-scale solar energy "farms" or "parks" is currently being investigated. Some solar facilities have been operating in the Southwest for over a decade. Concentrating Solar Power (CSP) is the most likely means for commercial-scale energy production, although photovoltaic cells also have commercial potential. CSP uses various systems to concentrate sunlight through mirrors or lenses to heat a liquid harnessed to a steam turbine. The Department's rangelands, located in the sun-rich, arid high desert of eastern Oregon, may offer potential sites for large-scale solar power production facilities. One site being investigated by the Department is near Hampton in eastern Deschutes County.

<u>Geothermal Energy</u>

Geothermal occurrences have been identified throughout much of Oregon east of the Willamette Valley. A number of occurrences have fluid that is of a sufficiently high temperature (greater than 212 degrees Fahrenheit; 100 degree Celsius) to be used to generate electricity. Mid- to high-temperature geothermal resources have been identified on lands on which DSL holds mineral rights in the vicinity of the Newberry Caldera, Paisley, Adel, Glass Butte, Klamath Falls, and Alvord Lake. Numerous other occurrences of low- and mid-temperature fluids also have been identified on or near state land.

<u>Hydropower Energy</u>

Marmot Dam operated by Portland General Electric on the Sandy River is currently the only hydroelectric facility under authorization, but that facility is de-commissioned. Opportunities for future revenue from authorizations are being investigated by the Department for other hydroelectric facilities located on waterways that have been determined to be title navigable, e.g. segments of the Willamette, Klamath, and Snake River rivers.

<u>Ocean Energy</u>

Wave energy power plants have been constructed and successfully operated at a number of locations throughout the world. In 2004, the Electric Power Research Institute conducted a feasibility study of siting a wave energy power plant off the coast of Oregon in the vicinity of Gardiner. If a small (750 KW) demonstration wave energy power plant off the Oregon coast proves to be economically practical, it is possible that a commercial-scale wave energy power plant will be constructed. Any component of a wave energy power plant located within the Territorial Sea would require authorization by the Department.

Wind Energy

Numerous areas in Oregon have been identified to have sufficient wind characteristics to warrant the development of this resource. A number of major commercial wind farms have been constructed in Oregon having a total capacity of 263 MW. As much as 900 MW of additional wind power capacity is either under construction in, or being planned for Oregon. Some of this projected new capacity consists of expansions to existing wind farms. A number of parcels of CSF lands have been identified as having some potential for wind power development. For example, major wind generation facilities could be feasible at the Stockade Block in southeast Oregon and at Hampton Buttes in Deschutes County.

B. Reclassifications

In developing this Plan, approximately 4,000 acres of lands that were unclassified in the 1995 AMP have been classified based on their location, size, and current and potential uses (Appendix D). Additionally, over 35,000 acres of CSF lands are being reclassified to reflect their current or expected future uses (Appendix E). For a number of these parcels, their reclassification also reflects direction in this Plan to focus on more intensive management and investment of lands with strong revenue generation potential, e.g. Central Oregon Rangelands in the “path of progress” (see Glossary). Parcel-specific management direction for these parcels is provided in Tables 6-12 in Section V. Also in this section, management categories are established to provide additional direction on how specific categories or parcels of land are to be managed.

Reclassification does not necessarily mean a change in land management. For example, Forest lands reclassified to Special Stewardship will continue to be managed by ODF pursuant to current forest management plans except on a case-by-case basis as agreed to by the Department.

Table 3 compares current and adjusted acreages of CSF lands by land class, based upon the classification of unclassified lands and the reclassifications through this Plan.

Table 3: Current and Reclassified Lands by Land Class

Land Class	Current Lands (acres)	% of CSF Lands	Classification of Unclassified Lands	Lands Reclassified (acres)	Total Adjustments (acres)	% of CSF Lands
Forest Lands	131,000	5.62	869	(26,064)	105,805	4.5
Agricultural Lands	5,700	0.24	23	0	5723	0.27
Rangelands	634,000	27.22	161	(3,293)	630,868	27.1
ICR Lands	695	0.03	348	2,112	3,155	0.14
Special Stewardship Lands	4,771	0.21	2,548	31,033	38,352	1.64
Waterways	800,000±	34.35	-	(4,528)	795,472	34.1
Mineral & Energy Resources	753,000	32.33	30	100	753,130	32.3
TOTAL	2,329,166	100	3979	-	2,332,475	100

As illustrated in Table 3, Forest lands, ICR lands, and Special Stewardship lands are the land classes most affected by the Plan's reclassifications. The reduction in Forest land acreage is primarily the result of reclassifying those portions of CSF lands managed by ODF for purposes other than timber production. Thus, no measurable effect on CSF revenues would be expected. The reclassification of over 21,000 acres of lands managed by ODF as Special Stewardship represents about 70% of the total acreage reclassified to Special Stewardship lands by this Plan. The remainder is primarily Waterways that are reclassified to reflect their designation as natural areas in the Oregon Natural Heritage Plan. Of greatest significance is the four-fold increase in lands classified as ICR lands. The majority of these properties are lands previously classified as Rangelands that are either within urban areas or in the "path of progress," most notably in Central Oregon. These ICR lands represent the highest earning and appreciation potential of the CSF's real estate assets.

C. Management Categories

During the planning period, specific CSF lands will be managed based upon their categorization into one of two management categories: Active Management and Limited Management. These categories are designed to:

- Guide Department staff in the development of biennial work plan priorities and budgets;
- Assist staff in prioritizing work loads; and
- Facilitate comparison of performance by land class. By differentiating among lands by level of management, more meaningful financial comparisons among land classes and land types can be obtained. Such differentiation recognizes that the Department has inherited a variety of non-revenue-producing lands as part of the CSF lands portfolio. More accurate measures of performance among land classes and types are the result, enabling the Land Board and Department to better understand where to target limited resources to increase CSF revenues.

The Department will give a lower priority to managing Limited Management lands than to Active Management lands. Investment in Limited Management lands will be limited and the expenditure of staff effort will be minimized. The Department will manage Limited Management lands with the objective that they either become actively managed or be evaluated for disposal.

Active Management

Active Management lands will be managed to meet Plan direction and to meet or exceed applicable performance targets. The vast majority of the CSF portfolio is categorized for Active Management. This category is applied to leased lands and other lands with investments, occupied with facilities, or with commonly-accepted economic values. A portion of an Active Management site may be categorized as Limited Management, e.g., Northern spotted owl habitat within the Elliott State Forest or Onion Peak Natural Heritage Conservation Area within the Clatsop State Forest.

Limited Management

The Limited Management category is applied to lands that are not leased, actively managed, or invested in; or where there have been no recent improvements or investments; or to lands held for non-revenue generation purposes for a limited period. Examples include unleased, isolated Rangelands; unleased, unimproved ICR lands such as North Tongue Point; and Waterways without leases or other authorizations.

Limited management lands may be evaluated to determine whether the lands will be subject to:

- Investment in order to improve their value for leasing, exchange or sale;
- Marketing for lease;
- Retention for a limited period due to a future potential for increase in value or to aid in the management of adjacent lands; or
- Disposal through transfer of management, exchange or sale.

Limited Management lands will continue to be managed for fire management, public safety and other basic land management functions. Forest Lands will continue to be managed for forest health, including pre-commercial thinning, road maintenance, and salvage logging to address problems that threaten to cause significant loss in asset value.

Changing Management Categories

Land management is dynamic, consequently lands will periodically be recategorized. Typically, the change will be to move a specific tract or group of parcels from Limited Management to Active Management based upon a change in circumstance, including:

- Receipt of a lease application;
- Land use change, such as a zone change or inclusion within an urban growth boundary or urban reserve area;
- Identification of new or enhanced revenue production potential;
- Potential opportunity to increase land value through investment;
- Changes in land use or management identified in a Specific Area Management Plan (see Section IV.B); or
- Public land management issues, e.g., exchange with another agency.

III. Valuation and Performance

A key goal of this Plan is to increase revenues from CSF real estate assets. Current information on land values and performance is essential to establishing appropriate rates of return against which to measure the performance of the CSF assets. Performance goals, in return, serve as a basis for determining which lands to retain, invest in, or dispose.

This Plan:

- Provides current estimated land values for Forest lands, Agricultural lands and Rangelands, and for selected parcels of ICR lands and Mineral and Energy Resources.
- Assesses current performance based upon limited valuation information.
- Commits the Department to complete a more detailed valuation for all ICR lands and active mineral sites.
- Identifies a variety of performance measures and targets as tools to judge the financial performance of the CSF's real estate assets over the planning period.

A. Current Valuation and Performance

Revenues are generated from CSF land assets through a variety of business activities or authorizations, including timber sales, grazing leases, rental of space in the Department's office building, and waterway leases for such uses as gravel extraction, marinas, and fiber-optic cables. Additional revenues are generated to the CSF from a 6% wellhead tax on oil and gas production on private lands and payments from the Federal Energy Regulatory Commission (FERC) for FERC-licensed projects on federal lands. However, revenues from these two sources are not considered in this Plan as land management revenues.

A five-year history of CSF land revenues by land class and by type of authorization is provided in Table 4. The most recent expense information by land class is provided in the preceding chapter.

Table 4. Revenues (1) by Land Class and Activity, FY 2000/01 – 2005/06

Land Class/Activity	Fiscal Year						
	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	Total
Forest Lands	$16,635,971	$13,671,493	$8,577,067	$15,360,073	$19,920,439		
Timber Sales	$16,635,971	$13,671,493	$8,550,000	$15,360,073	$19,902,189		
Communication Site Leases	$0	$0	$0	$0	$18,250		
Land Sales	$0	$0	$27,067	$0	$0		
Agricultural Lands	$115,014	$1,961,042	$71,076	$141,408	$161,842		
Leases	$115,014	$127,742	$71,076	$141,408	$161,842		
Land Sales	$0	$1,833,300	$0	$0	$0		
Rangelands	$454,307	$322,520	$355,076	$348,872	$777,842		
Forage Leases	$297,965	$307,770	$336,415	$301,080	$315,563		
Communication Site Leases	$18,300	$14,750	$18,661	$47,792	$14,609		
Land Sales	$0	$0	$0	$0	$281,589		
Easements	$138,042	$0	$0	$0	$147,825		
ICR Lands	$4,642,903	$607,481	$656,627	$483,237	$793,264		
Cabin Sites	$2,040	$2,040	$1,120	$1,680	$406		
Bldg. Rent, Parking, etc.	$640,863	$605,441	$655,507	$481,557	$792,858		
Land Sales	$4,000,000	$0	$0	$0	$0		
Special Stewardship Lands	$0	$0	$0	$0	$0		
Waterways	$2,546,091	$2,894,550	$1,894,181	$2,672,010	$2,008,392		
Easements	$496,570	$958,040	$54,652	$602,428	$27,319		
Leases	$1,446,639	$1,327,055	$1,245,417	$1,491,076	$1,416,205		
Sand and Gravel	$545,652	$603,755	$572,087	$498,806	$475,560		
Dock Registrations	$13,750	$5,700	$22,025	$79,700	$86,248		
Sale of S/S Lands	$43,480	$0	$0	$0	$0		
Mariculture	$0	$0	$0	$0	$0		
Mineral & Energy Resources	$224,474	$200,193	$146,801	$247,931	$307,631		
Oil and Gas	$7,368	$321	$1,421	$15,701	$10,437		
Prospecting	$150	$600	$7,647	$760	$0		
Sand and Gravel (upland)	$280	$0	$0	$0	$1,200		
Sale of Mineral Rights	$4,700	$4,700	$1,000	$17,792	$1,850		
Mist Gas Field	$141,061	$128,375	$136,733	$147,011	$64,406		
Hard Mineral Lease	$70,915	$66,197	$0	$66,667	$229,738		
Total	$24,618,760	$19,657,279	$11,700,828	$19,253,531	$23,969,410		

(1) Gross revenues.

Significant declines in revenue in the 2001-2003 period occurred as income from timber harvest decreased due to a number of factors, such as declining stumpage prices and the timing of harvests of sold tracts as a result of market conditions and mill scheduling. Some of the reduction during this period can also be attributed to expiration of Habitat Conservation Plan (HCP) coverage for marbled murrelets.

The current valuation and performance of CSF lands is compared by land class in Table 5, based upon return on asset value (ROAV). Market values are derived from a combination of appraisals conducted as part of Plan preparation and real market values (RMV) provided by county assessor offices. Available valuation information is currently very limited and the information in this table is intended to be illustrative only. For example, the valuation for ICR lands is based upon appraisal of only a fraction of the respective portfolios and adequate data are unavailable for Mineral and Energy Resources to estimate any comprehensive value.

A variety of approaches were used to determine land values. Some properties were valued using "standard" appraisal methods that relied on a compilation of land sales to determine estimated values. Agricultural lands and Rangelands were valued in a mass appraisal format, with value conclusions segregated by blocked versus scattered parcels and by region. A benefit-cost approach was used to value the Elliott State Forest based on a separate cost-benefit analysis prepared for the Department. Other Forest lands were valued based upon a combination of land and immediate timber harvest values. Special Interest lands and Waterways are not valued as they are not principally managed for revenue production.

Procedures and systems for evaluating the financial performance of public lands is a constantly evolving process. No universal or widely accepted financial performance indicator is available for each land class. ROAV is the most common financial performance indicator when complete data is available for the asset class. ROAV is calculated by dividing the Net Operating Income (NOI) by the Market Value, and is expressed as a percentage for each land class. The NOI is the difference between total revenues (leases and other authorizations) and total operating expenses (costs for management, administration, repairs, etc.).

Table 5. Market Value and Performance by Land Class (1)

Land Classification	Total Acres	Approximate Market Value (millions)	% of Total Market Value	Net Operating Income (NOI)	% of Total NOI	Return on Asset Value (ROAV)
Forest Lands	131,000	$593.7-$793.4 (2)	87-88%	$13,925,560	85%	1.76-2.35%
Agricultural Lands	5,700	$6.8 (3)	0.7-1%	$125,788 (6)	0.77%	1.85%
Rangelands	634,000	$67.9 – $85 (3)	9.5-10%	$153,607	0.94%	0.18 – 0.23%
ICR Lands	695	$13.3 (4)	1.5-1.9%	$564,837	3.5%	4.2%
Special Stewardship Lands	4,771	(5)	(5)	-0-	-0-	(5)
Waterways	800,000+/-	(5)	(5)	$1,350,731	8.3%	(5)
Mineral and Energy Resources	753,000	(5)	(5)	$242,352	(5)	(5)
Totals	2,329,195	$681.7 – 898.5	100%	$16,120,523	100%	1.8 – 2.4%

Notes:
(1) Prior to adjustments in classifications by this Plan.
(2) Based on cost-benefit analysis for Elliott State Forest; immediate harvest value for other Forest lands.
(3) Based on mass appraisal technique.
(4) Valuation limited to consulting valuation for 3 parcels and RMV for 3 parcels.
(5) Adequate data not available.
(6) Agricultural land and Rangeland expenses are combined by the Department. Plan assumes a 10% allocation to Agricultural lands similar to the 1995 AMP.

Sources:
- Annual Report on Property Management Activities for 2004-2005. Department of State Lands. October, 2005.
- Asset Management Plan Revision – Performance Valuation & Recommendations. PGP Valuation Inc. November, 2005.

As noted above, analysis of the performance of the real estate portion of the CSF portfolio is limited by lack of valuation information, most notably for ICR lands and Mineral and Energy Resources. A short-term Plan strategy is to complete a more thorough valuation and performance analysis of CSF lands by subcategory and, where appropriate, by parcel. Although the analysis of current performance is limited, a number of observations can be made, including:

- The CSF is receiving a positive net cash flow from its land assets.
- With more complete appraisal information, the ROAV would be expected to be substantially higher.
- Forest lands have historically and currently generate the majority (87+%) of the Department's real estate revenues. However, some isolated Forest land tracts perform poorly in terms of revenue generation in comparison to blocked Forest lands. Any improvements in efficiency or other revenue enhancement measures for blocked Forest lands would be expected to have significant positive revenue impacts.
- Although they comprise a small proportion of the asset base and of NOI, Agricultural lands would be expected to continue to provide a relatively small but stable flow of income.
- Rangelands have historically and currently have the poorest performance among the actively managed lands within the CSF portfolio. The ROAV is somewhat skewed, however, due to the lack of any revenue generation from approximately 12,000 acres of unleased isolated Rangelands, even though land values have increased. In most years,

Rangelands have had a positive NOI once the cost of capital improvements are taken into account. In addition, the grazing fee has increased 35% over the last seven years while calf prices (the primary product of state land grazing) rose only 19.2% over the last four years. The grazing fee for 2006 is $5.60 per AUM, which is more than 3.5 times greater than the rate charged on, nearby and adjacent, federal land ($1.56).

- The ROAV for ICR lands is higher than those for other land classes (except Mineral and Energy Resources). The Department's office building is generating a return (8.25%) that is comparable to the expected return for the CSF investment portfolio managed by the State Treasurer. ICR properties, although limited in number and total acreage, have strong earning and appreciation potential. For example, that portion of the Stevens Road tract that is classified as ICR and is currently within the City of Bend's Urban Growth Boundary (12.5 acres) is valued at $1.62 million.
- Although Waterways are managed primarily for purposes of resource protection, revenue generation is also an important consideration. Waterway leases were the second greatest source of revenue in FY 2004/05, providing 8.3% of total revenues.
- Special Stewardship lands are managed primarily for the protection of resource, cultural, educational or recreation values; minimal revenue generation is expected from these lands.
- While available valuation information is inadequate to estimate NOI and ROAV, Mineral and Energy Resources represent significant future revenue generation potential.

B. Performance Measures and Targets

A key Plan element is the establishment of performance measures and targets for the CSF's real estate assets as a means of measuring progress toward meeting the Plan's goals for the planning period. Evaluating the financial performance of public lands is a constantly evolving process of balancing a wide range of financial, environmental and social indicators. No universal or widely accepted financial performance indicator is available that is useful for the type of portfolio represented by CSF lands. Unlike liquid assets, the CSF real estate portfolio is not readily traded; i.e., the vast majority of the portfolio will remain in permanent public ownership.

Given the unique character of CSF lands, this Plan identifies a variety of measures and targets to be considered in measuring the performance of the overall CSF real estate portfolio. Four separate measures will be used by the Department to measure performance over the planning period: Return on Asset Value (ROAV); Net Operating Income (NOI); Annual Revenue (AR); and Land Value Appreciation (LVA). In recognition of variations in values, existing lease constraints, and other factors, a range of performance targets is established as goals to be achieved over the term of the planning period (10 years). These targets presume implementation of Plan management direction and short-term priorities. Active Management lands will be managed to achieve these performance targets during the planning period.

Collectively, these measures and targets are expected to provide both prudent measures for judging financial performance and management flexibility. In pursuing these as performance measures and targets, the Department will:

- Utilize the performance targets to evaluate management actions; inform decision-making on reclassifications, including re-categorizing as Active or Limited management; and to guide decisions on investment, retention and disposal;

- Re-evaluate the performance targets on a periodic basis, depending on the type of measure;
- Consider the targets as goals for the overall portfolio, recognizing that some land classes, e.g. Rangelands and most Limited Management lands, may not meet the targets;
- Exclude Special Stewardship lands and Waterways, as these land classes are managed primarily for resource protection, generate little revenue; and
- As appropriate, develop performance targets specific to land classes.

Recognizing that there is no consistency among western states, the Western States Land Commissioners Association is currently discussing standardizing land classifications and developing common performance measures so that the performance of land types and asset management programs can be compared among the states. The measures and targets in this Plan may be re-evaluated based upon the work of the Association.

Return on Asset Value (ROAV)

ROAV is the most common financial performance indicator when complete data is available, including information on current market appraisal values, annual expenditures, and annual revenues generated. ROAV measures return compared to land value. It allows for comparison with similar business returns and financial instruments. The Plan establishes an ROAV target of 3-5% for the overall real estate portfolio. This ROAV target is based on partial data and will need to be adjusted as more data is compiled. This target (and other targets) is based upon net revenues, less inflation.

While the FY 2004/2005 ROAV as illustrated in Table 5 is approximately half of this target, it is based on incomplete appraisal information. The Department considers the 3-5% target to be a reasonable goal for the planning period. As noted above, it is expected that some land classes, e.g., Rangelands, will not be able to meet this target. Other classes, e.g., Forest lands, would be expected to exceed it, however, and ensure that the performance of the overall land portfolio meets or exceeds the target. The ROAV target will be recalculated at least every five years.

Net Operating Income (NOI)

NOI is another commonly-applied performance measure. It measures income compared to expenses and is calculated as gross revenue minus operating expenditures. It requires revenue and expenditure information by parcel or land class. Expenses for maintenance and improvements are typically not considered ‘operating’ expenses for purposes of calculating NOI, since they preserve or increase the value of the land. NOI will be calculated each year, along with the percent change from year to year. A year to year increase from 3% to 5% is established as the target for the planning period. This will assure that the positive increase in NOI keeps pace with or grows faster than the effect of monetary inflation. NOI is a key element in the calculation of ROAV.

Total Annual Revenue (AR)

AR, expressed in dollars or as a percentage, measures only the income obtained from management of the CSF’s real estate assets. Using this measure, the Department will calculate the change in AR on an annual basis. Over the last five years, the average annual change has been about 5-7%. Trust lands and Non-Trust lands that are categorized as Active management will be considered to be performing at an acceptable level when, over the term of the planning period, the percent annual increase in revenue from asset management activities (e.g., leases, easements, royalties and land sales) is 5-7% per fiscal year. This is an adaptation of the performance measure for the Department (141-1), approved by the Legislature and the Oregon Progress Board that reads, “Percent annual increase in revenue from all sources. The target is 1.5% per fiscal year.”

LAND VALUE APPRECIATION (LVA)

LVA, expressed as a percentage, measures the change in land value over a specific period of time. It requires periodic re-appraisal or calculation of land value, although value trending and best professional judgment could substitute. Using this measure, the Department will measure the change in the CSF land portfolio’s land value calculated every five years, with a target of 3-5% annual appreciation.

PERFORMANCE TARGETS FOR ACQUIRED PROPERTY

For investment in property to be acquired through purchase, the goal will be to achieve a market rate-of-return based upon a schedule approved by the Land Board at time of acquisition. Because these are lands to be added to the CSF real estate portfolio, performance targets will generally be set at higher levels than those for existing assets.

IV. Management Direction

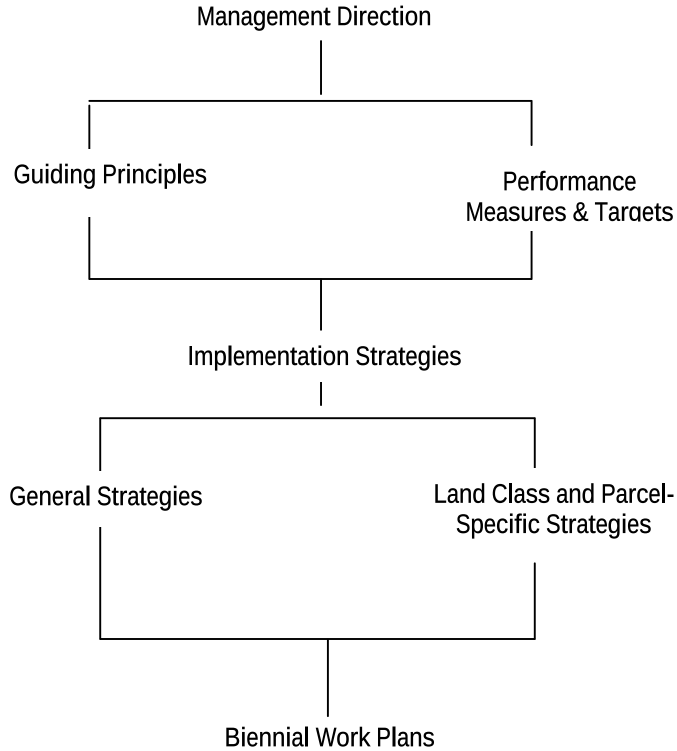
This section provides the overall policy direction and management principles that guide the management of the CSF's real estate assets. This management direction provides the framework for the AMP's implementation program, including short-term priorities and class-specific management strategies detailed in the next section. With limited exceptions, this management direction is applicable to all lands, irrespective of their classification.

This Plan:

- Provides a clear commitment to create a consistent and sustained stream of revenue to increase annual distributions to schools.
- Recognizes the need to balance revenue enhancement and resource stewardship.
- Rebalances the portfolio and creates capital for reinvestment through investment in assets with high performance potential and the strategic disposal of selected assets.
- Directs that rates for leases and other authorizations be reviewed and set at market values.
- Targets investment in lands with demonstrated appreciation potential, most notably Forest lands, Agricultural lands, ICR lands and energy sites.
- Identifies lands to be retained, lands to be considered for acquisition, and lands to be evaluated for disposal through sale or exchange or for transfer of management responsibility.

This Plan defines a program or "path" of management decision-making both for broad land classes and, where appropriate, for specific parcels. As illustrated in Figure 3, it establishes a decision-making framework based on management principles, strategies, priorities and, ultimately, biennial work plans for the Department.

Figure 3: Decision-Making Framework



A. General Management Principles

The following reflects the overall management direction for the CSF's real estate assets.

1. The Land Board and Department will continue to meet their 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 contributions of that portfolio to the CSF.

2. The Land Board and Department will continue to manage CSF lands to create a sustained and consistent stream of revenue to assist in building the principal of the CSF, thereby increasing annual distributions to schools.

To avoid cyclical variations in distributions of earnings from the CSF, the Land Board's distribution policy is based on the change in CSF value each year (three-year rolling average). Though small by comparison, revenues derived from the real estate portfolio tend to be more consistent from year to year than revenues from investments in stocks and bonds. Thus, management of the real estate portfolio to create a sustained and consistent revenue stream is essential both to "even out" fluctuations in earnings from the investment portion of the Fund and to increase its overall value.

3. *The Plan balances 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 Department contains many resources, including those that can be utilized to generate revenue for the CSF, as well as those that should be protected for their resource and public use values. The Land Board recognizes that it must ensure adequate long-term resource protection commensurate with its fiduciary and public trust obligations. This Plan provides a framework for balancing revenue enhancement and resource stewardship. Plan implementation will entail a constant assessment of how best to meet both goals.

4. *Consistent with the legacy of the Admissions Act, the Land Board will maintain a real estate portfolio of CSF lands. The allocation of land among land classifications may change over time based upon management, reinvestment and disposal strategies.*

The question of whether to retain and manage Trust lands or to divest of them and invest the proceeds in CSF investments has been an ongoing debate since statehood. The State has retained less than one-third of the original grant lands, with most of the acres disposed of prior to 1900. Since the 1960's, the Land Board has had a strong policy of retaining its Trust land base. The Plan emphasizes land management, not land disposal. A regular review of land classifications and associated management direction is an essential element of adaptive land management.

5. *The Land Board and Department will actively strive to increase the total annual revenues from the real estate portion of the CSF portfolio through the disposal of Trust lands that are not actively managed, difficult or uneconomical to manage or are low revenue producers.*

As stated previously, one of the fundamental goals of the Plan is to increase the overall revenue from management of the Land Board's real estate assets. The Plan does not recommend converting all real estate assets to equities. Disposal (transfer, exchange or sale) of lands will be targeted to specific lands as recommended in this Plan. Sale and acquisition processes will be reasoned and methodical and occur through case-by-case evaluations over time. Transfer and exchange opportunities will be fully explored as part of any disposal evaluation.

6. *To create capital for investment, the Land Board and Department will undertake opportunity-driven land acquisitions and sales.*

This Plan identifies specific lands to be evaluated for acquisition or disposal during the planning period. In addition to these defined actions, the Department needs the ability to dispose of assets that, through the normal course of business, become "ripe" for sale or exchange. For example, should the Steven's Road Tract be included within an expanded City of Bend UGB, the Department should have the ability to dispose of a portion or all of the property, even though this land is not specifically identified for disposal by the Plan. Similarly, the Department needs the ability to respond to opportunities to acquire lands with high earnings or appreciation potential as opportunities arise. Additionally, some lands in the portfolio should be managed specifically to be attractive for eventual sale, e.g., lands within UGBs, urban reserves, or the path of progress.

7. *Proceeds will be reinvested in assets with high return potential.*

Reinvestment of proceeds from land sales in lands with high return potential is a key strategy to increase revenues over time from the real estate portion of the CSF portfolio. In keeping with ORS 273.413, land sale proceeds will be deposited into the Department's Land Revolving Account and reinvested in new lands or improvements to existing real estate assets as opportunities arise. For example, the Land Revolving Fund was first used to purchase property in Wilsonville (Dammasch State Hospital) for $56,000, that was then sold for $1.8 million.

8. *The Plan provides general land management direction; many details will be addressed during ongoing implementation of the Plan and will involve the public.*

The Plan is designed to provide overall guidance regarding land management decisions. Specific implementation measures and management decisions, such as evaluation of waterway lease rates, disposition of isolated Rangeland parcels and adoption of new administrative rules, will be further analyzed and developed during the ongoing implementation phase of the Plan. These implementation measures will be approved by the Land Board, and affected interests and the general public will have the opportunity to participate.

B. Principles for Land Administration

1. 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 consistent with Trust law.
2. The Department, with Land Board approval, may reclassify lands at any time in response to changing circumstances and in conformance with Plan management direction.
3. Lands categorized for Active Management will be actively managed to meet or exceed applicable performance targets. Lands categorized for Limited Management will not be expected to meet performance targets.
4. The Department will develop and maintain a resource inventory for all state-owned lands within its jurisdiction, particularly uplands, that provides basic information on a tax-lot basis and is included in the Department's Land Administration and GIS system. The level of detail of the resource inventory may become more precise over time as data become available or as the need for precision changes. Information to be included in the resource inventory is detailed in Appendix F.
5. The Land Board and Department may enter into 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.
6. The Department will develop Specific Area Management Plans (SAMPs; renamed from area management plans in the 1995 AMP) for definable geographic areas and/or for specific resources, e.g., waterway areas, or incorporate plans prepared by other parties, e.g., Territorial Sea Plan, Elliott State Forest Plan or Wild and Scenic River management plans. SAMPs will:
    - Be organized by geographic location, resource type, or revenue-generation potential;

- Inventory, as appropriate, various economic, environmental and social factors;
- Guide all management activities undertaken by the Department within the subject area;
- Identify appropriate land classification(s), including Special Stewardship lands;
- Establish specific land management strategies and implementation measures;
- Maximize revenue to the CSF 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.

7. Performance measures and targets are established as goals to be achieved over the term of the planning period (10 years). The Department will utilize the performance targets to evaluate management actions; inform decision-making on reclassifications, including recategorizing for Active or Limited management; and guide decisions on investment, retention and disposal. The performance measures and targets will be re-evaluated on a periodic basis.

C. Principles for Land Management and Leasing

1. During the planning period, CSF lands will be managed based upon their management category.
2. All parties proposing to use or occupy state land must apply to the Department for written authorization, unless the use is specifically authorized by statute or administrative rule.
3. Leases will be considered to be, and treated as, contractual relationships between the Land Board and lessees. Lessees will be notified of proposed activities affecting their authorized lease uses or proposed changes in lease terms and conditions. Lessees will be responsible to comply with all applicable laws and regulations.
4. The Land Board will set rates for leases, easements, licenses and other forms of authorization that reflect fair market value. All current rates will be reviewed and adjusted where justified by market trends.
5. New leases, except those involving waterway or mineral uses, will be offered through a competitive process, e.g., oral or sealed bids or "Request for Proposals." For Waterways, upland owner preference rights will be recognized; when they are not exercised, competitive bidding may be utilized. Mineral lease procedures will vary depending on ownership status (e.g., surface, split-estate, owned by another agency). Timber will be sold by competitive bid; other forest products may be sold by negotiated contracts.
6. When cost-effective, the Department may engage the private sector or other public agencies as property and lease managers and real estate brokers.
7. Provisions to protect the state in case of the use or discovery of hazardous materials will be included in all authorizations. If such materials are present, the Department will cooperate with EPA and DEQ to remediate.
8. In evaluating lands for investment, acquisition or disposal, the long-term potential for development of subsurface water and mineral resources will be considered.

D. Principles for Land Development, Retention, Acquisition and Disposal

Land Development (Improvement)

1. The Land Board and Department will encourage lessees and other parties to make improvements to state land, consistent with lease purposes and applicable rules.
2. The Department, subject to Land Board approval, may invest capital in improvements to lands acquired for investment to the extent that the project meets acceptable risk criteria and if the expected rate of return will meet or exceed applicable performance targets within a reasonable period of time.
3. Opportunities will be pursued to generate increased revenues through investment in higher value lands (e.g., increased harvest activities on certain tracts of scattered Forest lands or commercial leases for the Stevens Road Tract).
4. The Department, subject to Land Board approval, may invest in joint partnerships or fee ownership, e.g., in public office buildings or energy facilities.
5. In accordance with ORS 273.413, Trust Land sale proceeds in the Revolving Fund will be available for land acquisitions, improvements, or other investments.

Retention

6. A core of permanent land ownership will be maintained during the planning period and will include:
    - Elliott State Forest and the majority of Northwest and Southwest Forest lands;
    - Nearly all Agricultural lands;
    - Blocked Rangelands;
    - Department's office building and certain ICR lands in urban areas or in the path of progress;
    - South Slough National Estuarine Research Reserve;
    - Waterways, except "new lands," historically filled lands, and contaminated lands on a case-by-case basis;
    - Mineral interest ownerships except those determined to have little, if any, potential for development; and
    - Known energy resources.

Acquisition (Purchase or Exchange)

8. Opportunities will be evaluated and pursued to acquire parcels available for sale or through other means (e.g., in-lieu selection or exchange) that have a high probability for appreciation in value or the ability to consistently generate revenue over the long term for the CSF. Priorities for acquisition during the planning period include:
    - Purchase of developed or undeveloped ICR lands in urban areas or in the path of progress, particularly central Oregon properties in the path of progress;

- Purchase of Forest and Agricultural lands throughout Oregon, with preference to lands west of Cascades;
- Exchanges with BLM or other parties for other lands in the Central Oregon area that would complement the Department's ownerships; and
- Exchanges or purchases involving surplus lands managed by other state agencies, e.g., ODOT and OPRD.

9. All acquisitions must be approved by the Land Board and carried out in accordance with the Board's rules for exchanges and purchases (OAR 141-067). Properties considered for acquisition will be evaluated in accordance with both the following factors and acquisition criteria for the applicable land class:
    - Net Revenue Potential/Capital Appreciation Potential: Near-term opportunities for an ROAV of 5 to 7% (real rate adjusted for inflation); or annual appreciation within the same range;
    - Capital Investment Requirements: Acceptable levels of capital investment (costs beyond purchase price) to achieve the targeted ROAV;
    - Management Costs: Anticipated annual management costs fall within an acceptable range of costs comparable to similar investments;
    - Operating Budget: Anticipated annual management costs can be borne by the Department's current budget or funds are anticipated within a reasonable time following acquisition;
    - Local Government Coordination and Support: Coordination with local governments has occurred in concurrence with the Department's State Agency Coordination Agreement. The level of local government (e.g., city, county, school district) support for the acquisition; and
    - Support of Other Public Policies/Programs: The acquisition assists in achieving or furthering another state public policy or program objective (e.g., State Economic Development Strategy).
10. Prior to acquiring land, the presence of species listed under the federal and state endangered species acts and of hazardous or contaminated materials will be determined.

DISPOSAL (SALE OR EXCHANGE)

11. Pursuant to ORS 273.245 and 273.316, opportunities will be evaluated and pursued to dispose (sale or exchange) of any parcels within the CSF portfolio except those specifically identified for retention. Disposal may be considered on a case-by-case basis as part of Specific Area Management Plans (SAMPs) or master plans to maximize investments; to respond to market-driven opportunities, especially for lands acquired for purposes of future disposal; for lands not meeting management expectations; for lands better managed by another entity; or to meet other public purposes (e.g., highway rights-of-way). Priorities for lands to be disposed of or evaluated for disposal through sale or exchange during the planning period include:
    - Unleased, isolated Rangelands (approximately 12,000 acres); and
    - Scattered Forest lands (approximately 12,000 acres).

12. Waterways (submerged and submersible lands) are not eligible for disposal except as allowed for “new lands” (filled lands as defined in ORS 274.095), historically filled lands, or contaminated sites.

13. Proposed land sales or exchanges must be approved by the Land Board and carried out in accordance with the Board’s administrative rules. The following criteria are among the factors to be considered when evaluating a land disposal proposal:

    - Parcel has low income-generating potential and limited multiple land use(s); is not leased or leasable, has poor physical attributes and/or has external constraints to managing for highest and best use;
    - Parcel has low appreciation potential;
    - Parcel has no or limited access to utilities;
    - Parcel management costs are high in comparison to actual or potential returns and/or appreciation potential;
    - Significant environmental risks are present, such as hazardous waste or environmentally sensitive attributes;
    - Changes in zoning or other circumstances preclude development of the parcel for its highest and best use;
    - Parcel is an in-holding within another major landowner’s ownership, or is a small, isolated tract;
    - Market conditions dictate that disposal is prudent in order to realize appreciation in value;
    - A high level of market demand exists for the type of property being considered;
    - The highest and best use of the parcel has changed to a use not compatible with the uses preferred by the Department or is inconsistent with the Plan; or
    - Parcel has high holding costs, particularly those associated with liability or other risk (i.e., disposal becomes an “emergency”).

14. Prior to disposing of land, an evaluation will be conducted of the potential presence of mineral resources of value. If present, mineral rights may be retained by the Department following disposal of the surface lands.

TRANSFER OF MANAGEMENT

15. Opportunities may be pursued to transfer management, while retaining Department ownership, to agencies or entities better equipped to protect the resource and public interest values of lands managed primarily for the protection of resource, cultural, educational or recreation values. Management transfers help reduce DSL’s costs. Priorities for transfer during the planning period could include transfer of Special Stewardship lands within the Columbia River to the U.S. Fish & Wildlife Service for management for wildlife refuge purposes.

E. Principles for Public Access and Recreation Use

1. The Department will allow public recreation on state lands when compatible with Plan objectives, and commensurate with public safety and the rights of lessees to use the subject land according to the provisions of their leases. Recreation and education opportunities will be encouraged consistent with Trust and Non-Trust obligations and the long-term sustainability of the resource. Regulations pertaining to public recreational use within specific areas may be established by the Land Board. Public access/use may be closed, restricted, or limited to protect public safety; to prevent theft, vandalism and littering; to protect historical or archeological resources, soils, water quality, plants and animals; or to meet other land management objectives or lease terms.
2. The Department will work with other government entities and interested people to make special features or resources accessible to the public 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 Department. Temporary overnight camping will generally be allowed; however, its location and duration may be controlled or restricted.
4. The Department will investigate opportunities to generate revenues from recreational uses.
5. In recognition of recreation uses and eco-tourism as opportunities for revenue-generation, the commercial use of state land on an exclusive or long-term basis for recreation may be permitted on a fee basis. Prior to allowing exclusive uses, the Department will consider the uniqueness of a recreational site or opportunity, and availability and proximity of other, similar recreational sites and opportunities. 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
    - Outfitter guides conducting business on state-owned uplands.
6. To protect resource values, access management plans may be developed to regulate recreational uses, including restriction of access as necessary.

F. Principles for Management of 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 plant, animal and aquatic species.
2. The Department, 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. This program identifies natural areas with special plants, animals and aquatic species or rare geologic features that should be protected. If conflicting uses are identified, the Department 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 Stewardship lands pending future transfer.

3. The Department, 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 that, at a minimum, meets regulatory requirements. Actual inventory may take place during specific area management planning, or when site-disturbing activities are planned, or prior to land disposal.
4. The Department will participate with the Oregon Department of Fish and Wildlife in appropriate elements of the State Wildlife Conservation Plan.
5. The Land Board and Department will ensure the long-term conservation and management of the state's wetland and riparian resources, state Scenic Waterways and federal Wild and Scenic Rivers through both regulatory and non-regulatory measures.

G. Principles for Sustainability

CSF lands will be managed in accordance with the Department's Sustainability Plan (March, 2004; updated July 2007), and the Governor's Executive Order No. 06-02--Sustainability for the 21st Century (January 2006), including:

- Managing CSF lands to provide sustainable funding to K-12 public schools;
- Identifying more sustainable ways of managing and increasing the value of CSF lands;
- Expanding the agency's role in analyzing and following best practices;
- Advocating and supporting a coordinated effort to increase sustainability awareness with state and federal land management agencies and leaseholders;
- Review operating systems (e.g. HVAC, water heating) at the Department's headquarters building to determine if energy conservation improvements are justified and implement appropriate changes; and
- Investigate and promote the development of renewable energy resources on CSF lands.

V. Implementation

A clearly defined implementation program is instrumental to achieving AMP goals and management direction. The implementation program detailed in this section is intended to define the Department's work program for the next 10 years.

> This Plan:
>
> - Defines those actions to be undertaken by the Land Board and Department to meet management direction and achieve performance targets during the AMP planning period (10 years).
> - Identifies short-term (3 to 5-year) implementation priorities and general implementation strategies applicable to all lands, irrespective of land class.
> - Provides implementation strategies for each land class and for specific types of land or parcels within those land classes.

A. General Implementation Strategies

SHORT-TERM PRIORITIES

The following strategies represent short-term (3 to 5-year) implementation priorities for the Department. These strategies will be re-evaluated every two years, recognizing that the ability to implement them will be contingent on adequate staffing, the Department's Strategic Plan priorities, and Land Board and Legislative direction.

1. *Compile information and refine the cost accounting system to track revenues and expenditures by land class and Active and Limited subcategories based on the Plan's reclassifications of land.*

The Department's tracking of revenues and expenditures will need to be adjusted to reflect classifications of unclassified lands and reclassifications of land through this Plan.

2. *Complete a performance analysis for ICR lands and Mineral and Energy Resources categorized as Active Management based upon best available information.*

ICR lands and Mineral and Energy Resources would be expected to have the highest earning and appreciation potential of the CSF's real estate assets. However, valuation and performance information for these land classes is currently very limited and is needed to enable the Department to more accurately assess and monitor their performance.

3. *Secure boundaries of ICR lands through surveys*

Given their location in proximity to urban areas or rural residential development, a high potential exists for encroachments on ICR lands. Surveys are needed to define and secure the boundaries of these lands.

4. *Complete in-lieu selections of federal land owed to the state and, for each selection, develop an interim master plan that includes land classifications and management strategies.*

Completion of these selections will satisfy a 1991 court decision that the State of Oregon was owed approximately 5,200 of federal public domain lands from admission into the Union. Since the 1991 decision, the Department has completed selection and transfer of lands in Deschutes and Jackson counties. Candidate properties have been identified for the remaining approximately 3,400 acres of in-lieu lands, the majority of which are located within Central Oregon.

These in-lieu land selections are not being accomplished through this Plan but, rather, through a separate BLM process that is not expected to be completed for two to three years. Upon completion of that process, planning for selected in-lieu lands may be included as part of the Central Oregon SAMP described below. Land classifications and management strategies for the selected lands will be developed as part of that future master planning.

5. *Complete and implement a revised Master Plan for the Stevens Road Tract, secure a development partner, and work with the City of Bend and Deschutes County to pursue an Urban Growth Boundary (UGB) amendment.*

The Department is in the process of revising an earlier master plan for the 640-acre Stevens Road tract and is in discussions with the City and County on the UGB amendment process and timing. It is also investigating the process and timing for securing a development partner to implement the master plan. A March 2005 appraisal set the value of this property at $15.6 to $18.8 million, given its location adjacent to the city limits and likelihood that at least a portion of the property will be brought into the UGB within the next several years.

6. *Develop and implement a Specific Area Management Plan (SAMP) for Department upland properties in Central Oregon, recognizing the concentration of lands in proximity to rapid growth areas.*

Approximately 31 parcels in Crook, Jefferson and Deschutes counties, totaling approximately 5,410 acres, have been identified for inclusion in a Central Oregon SAMP (Figure 4), including a number of ICR parcels within the path of progress for short-to-medium term (5-10 years) growth. Five of these parcels are currently leased for grazing, generating $1,257 annually in revenues. For each parcel, the SAMP will:

- Establish current valuations;
- Define the highest and best use;
- Prioritize lands for acquisition, including exchanges with BLM and other property owners;
- Identify and resolve management issues; and
- Provide site-specific management direction.

The SAMP will be developed through a separate planning process with opportunities for public involvement. However, site-specific planning and investment may proceed independent of the SAMP for any of these parcels where appropriate given market conditions, e.g., Stevens Road Tract.

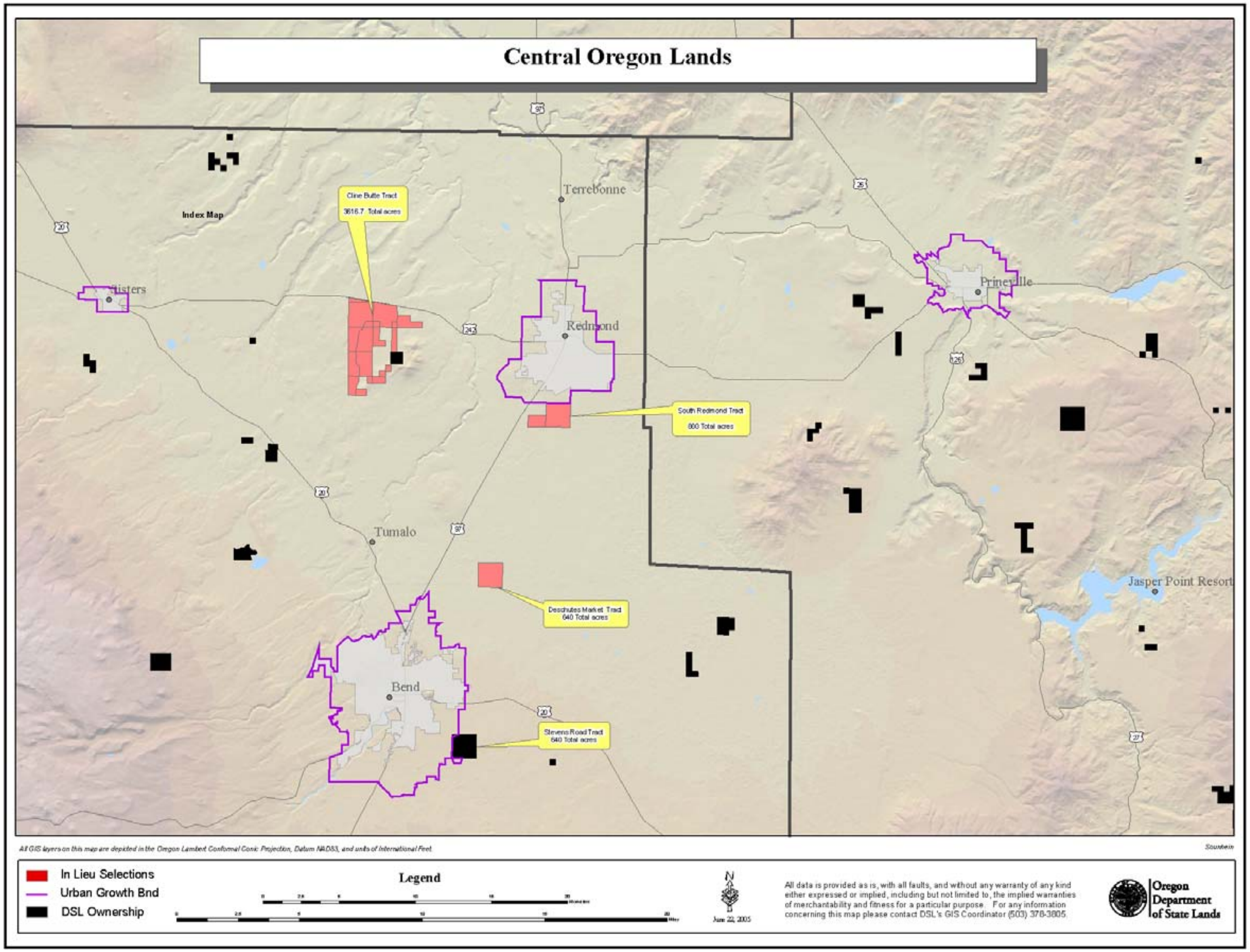
7. *Process for disposal approximately 12,000 acres unleased, isolated Rangelands (valued at about $2 million).*

In accordance with ORS 273.247 and Land Board policy, the Department intends to dispose of unleased, isolated tracts of Rangelands lands through sale or exchange.

8. *Evaluate and process for disposal or management approximately 12,000 acres of scattered, unblocked Forest lands (valued at $30.1 to $38.8 million).*

Based on valuation of CSF Forest lands for this Plan, selected scattered isolated (unblocked) parcels are identified as a high priority for evaluation for disposal (Appendix E, Tables 2-5).

Figure 4: Central Oregon Lands



These parcels are generally difficult to manage because of their isolation and lack of access. They either have low timber volumes or are marketable within the short term.

9. *Identify and evaluate for investment or disposal those ICR parcels that have the greatest potential to generate income for the CSF through lease or sale.*

Several ICR parcels located within rural and urban areas have short-term development or leasing potential, e.g., Ward Road, Stevens Road, Juniper Canyon, Bayshore, South Tongue Point, and Salem riverfront property.

10. *Complete a Rangeland inventory.*

In accordance with OAR 141.110, this inventory of rangeland condition and improvements for blocked, leased Rangelands is needed in order to complete rangeland management plans required for each leasehold.

11. *Initiate and complete rulemaking to implement Land Board direction in response to Grazing Fee Advisory Committee recommendations.*

In June 2006, the Land Board authorized the Department to initiate rulemaking to establish a minimum fee of $4.25 per AUM for a grazing fee formula, establish an annual minimum grazing lease fee to cover the Department's administrative costs, and make "housekeeping" changes".

12. *Identify statutes that limit the Department's ability to increase CSF revenues (e.g., ORS 758.010) and report to the Land Board.*

Certain existing statutes add procedural complexity and cost to the Department's land acquisition and disposal processes, without any appreciable increase in protection of the public's interest. Examples include statutes which provide for free easements across CSF lands and lessee preference rights.

13. *Evaluate current land sales procedures and adjust practices and/or amend/develop administrative rules as needed to increase efficiency.*

Among the issues to evaluate are preferential bidding rights, the application process, appraisal requirements, and Department of Administrative Services' role in certification of rules.

14. *Review all authorizations to validate uses and expiration dates. Renew expired authorizations based upon a re-evaluation of uses and fees.*

For certain easements, the terms of authorization have expired or the uses authorized have changed.

15. *In compliance with the Department's administrative rules, initiate a review of Waterway lease rates no later than October 2007.*

Regulations (OAR 141-082-0100) require the Department to periodically review and decide whether to maintain or re-determine lease rental formulas and payments.

16. *Within two years of AMP adoption, establish a policy for determining the percentage of revenues derived from land sales that will be dedicated to land development and acquisition.*

This Plan identifies lands for sale during the planning period. However, there is currently no direction on how much of the sale proceeds deposited in the CSF Revolving Fund can be used for land acquisition and development in conformance with this Revision.

17. *Develop new administrative rules governing the use of state-owned submerged and submersible land for hydroelectric facilities and other special uses, e.g., wave energy.*

The rules currently in place (OAR 141-087) are difficult to understand, contradictory, and provide for a fee that is not commensurate with the value of the use. There is potential for significant annual revenues from leases and permits for hydroelectric facilities on state-owned submerged and submersible lands. (Note: The intent of this strategy is to generate revenues for the CSF from existing facilities; not to encourage the development of new hydroelectric facilities.)

18. *Review and, if necessary, revise administrative rules governing the exploration for and leasing of mineral and energy resources.*

Current administrative rules are out-of-date and outmoded, and the industry has expressed concern that they do not adequately address current practices. The rules need to be revised to be easily understood and usable by parties wishing to conduct exploration and leasing activities on lands administered by the agency and to streamline the process of applying for permits or leases.

19. *Evaluate current procedures for easement payments and terms.*

Easements are currently authorized through single lump-sum payments, precluding the opportunity to adjust payments to reflect changing conditions, most notably increased land values. Annual payments for new easements would help ensure that easement fees are set at market rates and provide a more consistent stream of revenue to the CSF. Most easements are granted for 20 to 50-year periods, with some granted as permanent authorizations. Such timeframes limit the Department's ability to respond to changes in land uses and value over time, e.g., easements in "path of progress" areas. The granting of permanent easements should be infrequent and only for ongoing public purposes.

20. *Develop an ORV/ATV management program.*

Oregon Parks and Recreation Department (OPRD) funding currently is available to assist with the development of a management program for off-road vehicle (ORV) and all-terrain vehicle (ATV) use on CSF lands. Increased ORV/ATV use on adjacent federal lands results in increased unmanaged use of CSF lands, particularly Rangelands, causing conflicts with other authorized uses.

ONGOING IMPLEMENTATION STRATEGIES

21. Identify funding and staffing needs to successfully achieve strategies to implement AMP management direction. Acquire adequate resources.
22. Conduct a periodic (at least every 3 years) review of land classes and identify lands for reclassification, both among classes and as Active and Limited management.
23. Compile information necessary to maintain performance measures and to evaluate performance against targets.

B. Strategies by Land Class

Specific land management strategies are identified in this section both by land class and by subcategory or parcel where appropriate.

FOREST LANDS

General

1. Manage Forest lands to increase timber harvest levels to the extent possible while maintaining a sustainable, even-flow harvest of timber, subject to economic, environmental and regulatory considerations.
2. Specific forest management plans will be developed by forest managers. These plans will be prepared by the land manager (e.g., ODF for certified Forest lands; the Department, as appropriate, for de-certified Forest lands) and approved by the Land Board. Secondary uses (for example, communication sites, grazing, pipeline easements, public recreation or road rights-of-way) are allowed as long as they do not substantially interfere with the primary use. Mineral, oil and gas, and geothermal exploration and development is permitted only if there is limited surface occupancy, or the anticipated royalties exceed the projected timber product revenue.
3. Incorporate forest health practices into the management of Forest lands to reduce or prevent significant losses from insects, diseases, animals and other similar threats.
4. Periodically review Forest land management costs and revenues to ensure maximum effectiveness and efficiency, while seeking to increase revenue from the sale of forest products. To the extent possible, compare costs and revenues to those of other forest managers for similar forest lands and activities and management intensities.
5. Obtain from ODF an annual timber stand inventory (balance sheet comparing growth rates and harvest levels) for all certified parcels to assist the Department in tracking timber sale and total inventory volumes and values.
6. Apply appropriate investment standards and return analyses to improvements to Forest lands (e.g., road building to improve access, pruning, fertilizing, pre-commercial thinning).
7. By 2010, review and revise, as needed, the Department's management agreement with ODF.
8. Add a Department staff forester position as a senior level position to serve as liaison with ODF and to implement the AMP.
9. Research the feasibility of generating revenue from Forest lands for purposes of carbon mitigation (sequestration), particularly lands not harvestable or that have long harvest rotation cycles.
10. Investigate the certification of CSF Forest lands as meeting sustainability standards.

Retention

11. Retain the Elliott State Forest and the majority of Northwest and Southwest Oregon Forest lands.

Acquisition

12. Evaluate the opportunity to acquire Forest land in accordance with the criteria in Section IV.D and the following considerations:

    Location

    - Throughout Oregon, with a preference for lands west of the Cascades to block up existing CSF land.
    - Results in blocking up with existing state lands or is of a manageable size if separated.
    - Physical and legal access is available, and the property is near transportation networks.
    - Surrounding land uses are compatible with forest management activities.
    - Located in an area designated by a local comprehensive land use plan as Forest Lands.

    Physical Condition

    - Class I, II, or III Forest Soils Class index. Productivity of forest properties west of the Cascades should be Site Class III or better for Douglas-fir. Properties east of the Cascades should be Site Class V or better for ponderosa pine.
    - Terrain is suitable for ground-based or cable yarding. Avoid, where possible, land with high landslide potential.
    - Generally avoid lands with state or federally-listed species.
    - Avoid, where possible, areas that historically have had extensive root disease, Swiss needlecast, or areas with insect control problems.

Disposal

13. As a priority during the planning period, evaluate for disposal approximately 12,000 of scattered Forest lands as identified in Appendix G, Tables 2-5.
14. As a secondary priority, evaluate for disposal or retention blocked parcels identified in Appendix E, Table 1, specifically Sun Pass State Forest and Yainax Butte.
15. Evaluate Forest land disposal in accordance with the criteria in Section IV.D.

Exchange

16. When evaluating properties for potential disposition, consider opportunities to exchange lesser producing isolated forest parcels for forest lands adjacent to larger CSF forest ownerships.

Table 6: Specific Management Direction, Forest Lands

Land Type / Location	Type	Description (3)	Value (millions)	Management Category	Strategy
Blocked Lands					
▪ Elliott State Forest	Trust	84,562 acres. 2.4 MMBF	$344 - $489	Active - Areas designated for timber harvest	Retain in core of permanent land ownership. Through the management plan process, seek to increase harvest levels above current management levels.
				Limited – Areas classified by ODF as Special Stewardship	Manage per Habitat Conservation Plan (HCP) requirements.
▪ Sun Pass State Forest	Trust	3,366 acres. 23,945 MBF	$7.9 - $9.4	Active - Areas designated for timber harvest	Investigate the potential for savings in administration costs through de-certification. As a secondary priority, evaluate for retention or disposal. (See Appendix G, Table 1)
				Limited – Areas classified by ODF as Special Stewardship	Manage for resource values.
▪ Scattered Blocked	Trust	15,159 acres. 286,310 MBF	$102.5 - $124	Active- Areas designated for timber harvest	Conduct further evaluation for retention or disposal.
				Limited – Areas classified by ODF as Special Stewardship	Manage for resource values.
– NW	Trust	12,122 acres. 271,107 MBF	$97.4 - $118		Retain.
– SE (Yainax Butte)	Trust	3,037 acres. 15,203 MBF	$5.1 - $6	Active	Investigate the potential for savings in administration costs through de-certification. As a secondary priority, evaluate for retention or disposal. (See Appendix G, Table 1)
Subtotal Blocked Lands		103,087 acres. 2.7MMBF	$454 - $622		

Table 6: Specific Management Direction, Forest Lands, cont.

Land Type/Location	Type	Description (3)	Value (millions)	Management Category	Strategy
Scattered Isolated (Unblocked) Parcels					Retain but evaluate for disposal on a parcel-by-parcel basis. As part of the evaluation, appraise both land and timber values.
▪ NW Oregon	Trust	4,243 acres. 72,200 MBF	$25.6 - $32	Active	Retain but evaluate for disposal on a parcel-by-parcel basis. As part of the evaluation, appraise both land and timber values. As a priority, evaluate 578 acres for disposal. (See Appendix G, Table 2 for recommended parcels for disposal.)
▪ SW Oregon	Trust	14,413 acres. 207,274 MBF	$89.9 - $109	Active	Retain but evaluate for disposal on a parcel-by-parcel basis. As part of the evaluation, appraise both land and timber values. As a priority, evaluate 2,397 acres for disposal. (See Appendix G, Table 3 for recommended parcels for disposal.)
- Winchester Bay Tract Douglas County T22S R12W S07C TL300 T22S R13W S13 TL200 T22S R13W S12 TL200	Non-Trust	190 acres. 6,680 MBF. Unleased.	Land value - not appraised; $197,640 RMV. Timber value – appraised; $2.6 - $3.2	Active	Prepare SAMP and investigate potential for lease, sale or exchange to OPRD or Douglas County.
▪ NE Oregon	Trust	6,704 acres. 25,196 MBF	$6.8 - $9.2	Active	As a priority, evaluate all parcels for disposal. (See Appendix G, Table 5.) To guide the management of NE Forest Lands, including the determination of parcels for disposal, contract for a new inventory and complete a revised valuation based upon the updated inventory.
▪ SE Oregon	Trust	2,338 acres. 5,240 MBF	$1.9 - $2.6	Active	As a priority, evaluate all parcels for disposal. (See Appendix G, Table 4.)

Subtotal Scattered Isolated Parcels		27,699 acres. 309,901 MBF	$124 - $152		

Table 6: Specific Management Direction, Forest Lands, cont.

Land Type/Location	Type	Description (3)	Value (millions)	Management Category	Strategy
Unadjusted Total (1)		*130,787 acres 2.99 MMBF*	*$593 – $793*		
Adjustments (2)		*(25,195 acres)*	*($108-$224)*		
Adjusted Total		*105,805 acres*	*$485 –$569*		

Notes:
(1) Prior to reclassifications and other adjustments by this Plan.
(2) Includes the addition of unclassified lands and the subtraction of Forest lands reclassified to other land classes. Estimate based on values in Appendix G. To compute the value of the adjusted Forest lands, an across-the-board valuation of reclassified lands (which are primarily Special Stewardship lands) is used, as total acreages and values by geographic area (e.g., NW Oregon, SW Oregon, etc.) are not available at this time.
(3) Included is the estimated volume of commercial timber, calculated as MBF=Thousand Board Feet or MMBF=Million Board Feet.
RMV = Real Market Value

AGRICULTURAL LANDS

General

1. Manage Agricultural lands primarily for the production of agricultural commodities. Secondary uses (for example, communications sites or pipeline easements) are allowed as long as they do not substantially interfere with the primary use. Mineral, oil and gas, and geothermal exploration and development is permitted only if there is limited surface occupancy, or the anticipated royalties exceed the projected agriculture lease revenue.
2. With renewal of leases, establish new lease rates based on land values and reduce the term of leases.
3. Encourage the conversion of lower value land (e.g., Rangelands) to Agricultural lands 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.
4. Encourage lessees to undertake improvements to Agricultural lands to improve productivity. The Department may participate in improvements that meet the appropriate investment standards and return analyses.
5. Where return on investment warrants, pursue water rights sufficient to serve irrigation, and to serve other needs for water associated with standard farming practices.

Retention

6. Retain all Agricultural lands, except for unleased parcels identified for evaluation for disposal.

Acquisition

7. Evaluate the opportunity to acquire Agricultural lands in accordance with the criteria in Section IV.D and the following considerations:

   Location

   - Throughout Oregon, with a preference for lands west of the Cascades, particularly in the Willamette Valley. Preferred properties will be located in established agricultural areas.
   - Preferably in traditional markets or products that experience long-term economic stability and growth. Speculative markets or products will generally be avoided.
   - Developed water is desirable.
   - Physical and legal access is available, and the property is near transportation networks.
   - Surrounding land uses are compatible with agricultural land management activities.
   - Located in an area designated by a county comprehensive plan as Exclusive Farm Use.

   Physical Condition

   - Property is large enough to be farmed economically and managed efficiently. Economic farm size is dependent upon the preferred crops and nature of existing land-uses and infrastructure; minimum size may range from less than one hundred acres to several hundred acres.

- Properties should be sufficiently productive to attract desirable lessees. Soil, climate and market factors need to combine to produce reasonable returns, both to the lessees and to the trusts.
- Soils should be high quality and productive for current or intended land use(s) as documented by the Natural Resource Conservation Service.
- For irrigated farming properties:
  - Preferred properties are served by a self-contained, independent (certified/permitted) water source and delivery system(s), or are located in an irrigation district.
  - Water quantity and quality shall be sufficient to irrigate current and intended crops and acres. Areas of declining water tables will be avoided.
  - Property should be capable of producing a variety of crops, particularly high value crops.
  - Preference will be given to lands located in zones of 12 inches or more of annual precipitation, and be capable of producing annual crops.
  - Areas of stable soils that are highly productive and have low soil erosion potential from usual and customary tillage practices are preferred.
- Generally avoid lands with state or federally-listed species.

Disposal

8. Evaluate for disposal only parcels specifically identified in Table 7.
9. Evaluate Agricultural land disposal in accordance with the criteria in Section IV.D.

Table 7: Specific Management Direction, Agricultural Lands

Land Type / Location	Type	Description	Value (millions)	Management Category	Strategy
Leased Parcels	Trust	5, 700 acres 11 leases	$6.8	Active	Retain in core of permanent landownership. Investigate potential to transition to crops with higher revenue potential. Invest to increase value.
▪ Short-term Lease (1)		8 leases			Renegotiate leases to market rates when they expire and periodically review to ensure market rates are attained.
▪ Long-term Lease		3 leases			Work with lessees to renegotiate leases to market rates.
Unleased Parcels		22.77 acres			Evaluate for disposal.
▪ Polk County T7S R5W S1 TL100	Trust	13 acres	NA	Limited	Evaluate for disposal.
▪ Wasco County T2N R12E S14 TL600	Trust	9.77 acres	NA	Limited	Evaluate for disposal.

Table 7: Specific Management Direction, Agricultural Lands, cont.

Land Type / Location	Type	Description	Value (millions)	Management Category	Strategy
Crow Island Malheur County 18S 47E S28 TL 1001	Non-Trust	76 acres.	Not appraised.	Active	Review use agreement.
Snake River Island Malheur County T18S R47E S34	Non-Trust	57 acres	Not appraised.	Active	Review use agreement.
Adjusted Total (2)		*5,856 acres*	*$6.8*		

Notes:
(1) Lease expires within 3-4 years.
(2) Includes addition of formerly unclassified lands classified as Agricultural lands but does not include reclassifications.

RANGELANDS

General

1. Manage Rangelands to ensure sustained forage yields for livestock 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. Alternative uses for a leasehold may be authorized, even if the leasehold is already subject to 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.
2. To improve the ROAV and other performance measures for Rangelands, the Land Board and Department will:
   - Periodically review and, as appropriate, adjust the lease rate and formula; and
   - Where possible, reduce expenses and contain management costs.
3. Manage Rangelands to ensure long-term Rangeland health. Toward this end, the Department will:
   - Complete rangeland condition inventories for lands under lease.
   - 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.
   - 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; 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.

- Manage Rangelands to reduce, prevent, and eradicate noxious plants/invasive species.
- Update rangeland management plans, in cooperation with the lessee, for each blocked leasehold.

4. Develop SAMPs for selected Rangelands blocks in Southeast Oregon. Each SAMP will address the elements identified in Short-Term Priority #6 (Section V.A), as well as competing uses, mineral and energy potential, and appropriate recreational uses.
5. Assess opportunities to combine Rangeland management plans with SAMPs to address management and resource issues at a regional or area-wide basis.
6. In accordance with recommendations from the 2004-2006 Grazing Fee Advisory Committee report, explore and implement where feasible: (1) fees for outdoor recreational activities on Rangelands, including guided hunting or controlled hunts; and (2) leases for renewable energy exploration and production.
7. Conduct a periodic review of the Department's Rangeland fire suppression agreement with BLM.

Retention

8. Retain leased blocked Rangelands.

Acquisition

9. Acquire, only through exchange, Rangelands that are adjacent to state-owned lands for purposes of blocking up existing Rangeland ownerships, increasing access or improving manageability. In evaluating properties to acquire through exchange, preference will be given to:
   - Areas of healthy plant communities, less subject to noxious weeds, and with sufficient vegetative cover to resist the invasion of noxious weeds.
   - Properties that have (or have access to) stock water and water rights.
   - Properties that have multiple use potential, and the ability to be used for alternative purposes such as renewable power generation, recreation, wildlife habitat, mineral extraction, oil and gas leasing, irrigated agriculture, communication sites, commercial or higher and better use development.

Disposal

10. As a priority during the planning period, dispose of unleased, isolated Rangelands.
11. Dispose of leased, isolated Rangelands on a case-by-case basis as opportunities arise.
12. Evaluate Rangeland disposal in accordance with the criteria in Section IV.D.

Table 8: Specific Management Direction, Rangelands

Land Type/Location	Type	Description	Value (millions)	Management Category	Strategy
Leased Blocked	Trust & Non-Trust	592,781 acres	$62.1-79.5	Active	Retain in core of permanent land ownership. Invest in resource inventories, fire protection and range improvements.
Leased Isolated	Trust & Non-Trust	26,239 acres	$3.3	Active	Invest in resource inventories, fire protection and range improvements. Revise minimum lease rates. Dispose of on case-by-case basis.
Unleased Isolated	Trust	15,051 acres	$2.5	Limited	Conduct appraisal and evaluate for disposal. Investigate potential value for recreational and residential uses.
Unadjusted Total		*634,071 acres*	*$67.9-$85*		
Adjustments (1)		*(3,561 acres)*	*NA*		
Adjusted Total		*630,510 acres*	*$67.9-$85*		

Notes:
(1) Adjustments include the addition of formerly unclassified lands and reclassifications from other land classes to Rangelands.

INDUSTRIAL/COMMERCIAL/RESIDENTIAL (ICR) LANDS

1. Manage ICR lands for non-resource uses (e.g., industrial, commercial and/or residential development). Promote development that is sustainable that uses ‘green’ building materials and development practices.
2. Develop individual management plans for ICR lands as appropriate. Generally, flexibility will be exercised in managing these lands to obtain the highest possible rate-of-return on asset value and/or asset appreciation consistent with Trust or Non-Trust obligations. (Examples include joint venture leases, with “master lessee” or individual leases solicited through a Request for Proposals process, or outright sale or exchange.) Short and long-term management recommendations will be included as part of the management plan and approved by the Land Board.
3. Set lease rates for ICR properties based on comparable market lease rates.
4. For improvements and acquisitions of ICR properties, strive to exceed market rates-of-return. The Department may invest in both soft improvements (e.g., rezoning, land use permits, land division) and infrastructure improvements (e.g. roads, utilities) on ICR lands to the extent that investments result in long-term land appreciation or enhanced income generating capability.
5. Seek partnerships with the Oregon Economic and Community Development Department, Oregon Housing and Community Services, Oregon Department of Energy, ports, local governments and other appropriate parties in planning for, marketing, managing and improving ICR lands.

6. Evaluate the energy efficiency of the Department's office building and upgrade to be more efficient. Consider the use of renewable energy sources.

Retention

7. Retain the Department's office building (and continue to lease), those portions of the Stevens Road tract identified for leasing through master plan direction, and South Tongue Point properties. Retain other ICR lands until market conditions or other strategic opportunities justify their sale or exchange.

Acquisition

8. Consider acquisition or exchange for ICR properties throughout Oregon within urban growth boundaries and "path of progress" or transition areas, with a preference for lands along I-5, I-84, I-205, U.S. 26 and U.S. 97 highway corridors. Acquire ICR lands with the potential to provide an attractive revenue stream and to achieve diversification in the CSF real estate portfolio. Acquire investments that will generate stable, current income with low to moderate levels of risk. (Given the long-term nature of the trusts and the duties of a trustee, the Department avoids high-risk transactions.)
9. Acquire a site or develop existing CSF lands (e.g. Stevens Road Tract) for an office for the Department's Central Oregon staff that includes lease space for other tenants.
10. Consider a variety of forms of acquisition and investment, including, but not limited to:
    - Fee acquisition of real estate subject to long-term unsubordinated ground leases on which the lessee has constructed quality improvements, with rents net of expenses;
    - Fee acquisition of improved real estate subject to master leases, with rents net of expenses;
    - Purchase and lease-back of improved real estate (may involve ground only or entire project);
    - Fee acquisition of improved real estate (office, retail, and commercial or industrial buildings); and
    - Construction and lease-back of state office buildings and facilities.
11. With few exceptions, invest in improved properties which are superiorly located, well-constructed, maintained to the highest standards, have limited management requirements or a demonstrated track record of successful management in the past, and have the potential for conversion to other uses (i.e., building with single-tenant user converts to multiple-tenant configuration) where appropriate.
12. Evaluate investment decisions considering the reliability of the income stream and the financial rate of return, tenant credit history, and the use the tenant/lessee is making of the property, as well as fundamental real estate criteria such as location, occupancy trends, supply conditions, consistency with land-use.
    - Single-tenant properties should generally have a tenant/lessee with a strong balance sheet and sound credit rating reported by established credit bureaus. Multi-tenanted properties should also have tenants with good credit ratings.
    - Properties with lessees/tenants who generate or handle hazardous substances should generally be avoided.

13. Avoid properties with environmental hazards.

Disposal

14. On a case-by-case basis, consider the sale or exchange of ICR lands based on market conditions, to capitalize on appreciation in value, or to take advantage of other strategic opportunities.

Table 9: Specific Management Direction, ICR Lands

Parcel / Location	Type	Description	Value	Management Category	Strategy
Bayshore (Pier 3) Clatsop County T8N R10W S12 TL100	Non-Trust	12 acres of uplands. Leased by Port of Astoria for park and marine industrial uses. Current rent: $11,920/yr.	Not appraised.	Active	Manage for urban development potential. Continue to lease to Port and seek additional leases compatible with Astoria waterfront redevelopment. Invest in improvements to increase value.
Skipanon Clatsop County T8N R10W S14 TL300	Non-Trust	212 acres. Former dredged materials disposal site and tidelands; leased to Port of Astoria for golf course. Current rent: $38,400/yr	Appraised; $384,000 (96 acres upland).	Active	Manage for urban development uses. Continue to lease. Invest in improvements to increase value.
North Tongue Point Clatsop County T8N R9W S11 TL5800	Trust	15 acres. Hazardous materials (hazmat) remediation site.	Not appraised.	Limited	Manage for non-development uses. Continue to coordinate with ACOE on hazmat cleanup. Evaluate future potential uses as part of remediation process.
South Tongue Point Clatsop County T8N R9W S12 TL101-103	Non-Trust	136.7 acres. 1 lease for 25.25 acres; minimal fee.	Not appraised.	Active	Manage for urban development potential. Continue to lease to Clatsop Community College (CCC) for Marine & Environmental Research and Training Center (MERTS). Conduct an appraisal and re-evaluate lease rate. Re-evaluate the site's master plan, specifically the potential for industrial development and rezoning to accommodate additional leasing opportunities on other portions not leased by CCC.

Table 9: Specific Management Direction, ICR Lands, cont.

Parcel / Location	Type	Description	Value	Management Category	Strategy
Dibblee Point Columbia County T7N R3W S1 TL100 T7N R2W S7 TL 100 & 200	Non-Trust	197 acres in five tax lots west of Rainier. Portion within UGB. Majority of site used for recreation. Portion of interior under lease to small sand and gravel operator.	Not appraised; $1.55 M RMV.	Active	Manage for combination of non-development uses and for urban development potential. Manage for recreation access, as dredge spoils site for Columbia River Channel Deepening Project, and as sand and gravel aggregate site. In short-term, continue existing lease on western portion for sand and gravel extraction and as dredge disposal materials sales site. Retain industrially-zoned portion within UGB; seek developer and sell or lease. Investigate rezoning to industrial use for those portions within or proximate to the UGB. Contact US Gypsum regarding interest in purchase. Enter into recreation use agreement with OPRD or local government for recreation management on the western portion.
Jones Beach Columbia County T8N R5W S33 TL100 & 200	Non-Trust	11 acres. Managed by Port of St. Helens. Popular windsurfing site.	Not appraised; $5,700 RMV.	Active	Manage for dredge material storage and sales and public recreation uses. Ensure that zoning for the site allows for commercial sand and gravel operations (sale of dredged sands). Enter into recreation use agreement with OPRD or local government for recreation management.
Near Sandy River, north of Dodge Park Multnomah County T1S R5E S19 TL500	Trust	29.5 acres	Not appraised	Active	Evaluate for disposal.

Table 9: Specific Management Direction, ICR Lands, cont.

Parcel/Location	Type	Description	Value	Management Category	Strategy
Hood River County T2N R10E S14 TL 1800	Trust	20 acres.	Not appraised.	Active	Evaluate for disposal.
DSL Building Marion County T7S R3W S23 TL5400	Trust	2.01 acres. DSL headquarters and 4 leases.	Appraised; $11.4 M.	Active	Retain and continue to lease. Periodically evaluate rental rates to ensure that they meet market rates for similarly classified office buildings. Continue to invest in maintenance, repairs, and efficiency upgrades.
Riverfront Property Marion County T7S R3W S28 TL600	Trust	0.63 acre. Located on riverfront in Salem. Zoned Residential Agriculture.	Not appraised.	Active	Manage for urban development potential. Possible sale/exchange to City of Salem or OPRD for Willamette River Greenway.
Marion County T8S R2W S22		11.9 acres Untaxlotted in-holding	Not appraised.	Active	Evaluate for disposal.
Stevens Road Tract Deschutes County T18S R12E S11	Trust	640 acres, bordering Bend's southeastern city limits; 12.49 acres within UGB. 11 easements.	Appraised; $15.6 -18.8 M.	Active	Manage for urban development potential. Include in Central Oregon SAMP. Complete Master Plan update and UGB amendment feasibility analysis. In coordination with City, seek UGB amendment and/or urban reserve designation. Invest in improvements to increase value. Seek master lessee to develop the site at urban densities.
Alfalfa Market Road Deschutes County T17S R14E S20 TL 10800; S29 TL 100; S28 TL 2500	Trust	200 acres. Leased for grazing. In area of large lot subdivisions/homesites. Near new destination resort (Brasada).	Not appraised; $46,640 RMV.	Active	Manage for rural development potential. Include in Central Oregon SAMP. Appraise and manage in accordance with SAMP or individual master plan.
Ward Road Deschutes County T18S R13E S16 TL 500	Trust	39.1 acres. Surrounded by large lot subdivisions and homesites; served by water and electric; good access. Zoned for 10 acre sites.	Not appraised; $62,650 RMV.	Active	Manage for rural development potential. Appraise as 40 vs. 4-10 acre sites; investigate land division, water and road development potential. Develop marketing strategy.

Table 9: Specific Management Direction, ICR Lands, cont.

Parcel/Location	Type	Description	Value	Management Category	Strategy
Cline Butte Deschutes County T15S R12E S20 TL 5300 T15S R12E S21 TL 5300	Trust	160 acres. Leased to destination resort developer; adjacent to Eagle Crest Resort.	Not appraised; $101,760 RMV.	Active	Manage for rural development potential. Appraise; continue to lease; evaluate for disposal. Include in Central Oregon SAMP as appropriate along with adjacent in-lieu land.
Peterson Burn Road Deschutes County T15S R10E S20 TL 1400	Trust	160 acres. Forest land.	Not appraised; $339,200 RMV.	Active	Manage for rural development potential. Include in Central Oregon SAMP. Appraise and manage in accordance with SAMP.
Highway 20 Tract Deschutes County T16S R11E S9 TL 600	Trust	236 acres. Hwy. 20 frontage.	Not appraised; $349,800 RMV.	Active	Manage for rural development potential. Include in Central Oregon SAMP. Appraise and manage in accordance with SAMP.
Redband Road Tract Deschutes County T16S R11E S8 TL 200	Trust	80 acres. County road frontage.	Not appraised; $39,750 RMV.	Active	Manage for rural development potential. Include in Central Oregon SAMP. Appraise and manage in accordance with SAMP.
Juniper Canyon Crook County T15S R16E S36 TL 2300	Trust	636 acres. Leased for grazing. Zoned RRM-5. In area of large lot subdivisions and homesites.	Not appraised; $90,560 RMV.	Active	Manage for rural development potential. Appraise and manage in accordance with SAMP or individual site master plan..
Prineville Airport Crook County T15S R15E S4/10 TL 1100	Trust	320 acres. Grazing lease on portion of tract.	Not appraised; $163,310 RMV.	Active	Manage for urban development potential. Include in Central Oregon SAMP. Appraise and manage in accordance with SAMP. Investigate potential for industrial development associated with Prineville Airport Industrial Park.
Millican Road Crook County T15S R15E S14 TL 2300	Trust	160 acres. Grazing lease.	Not appraised; $90,640 RMV.	Active	Manage for rural development potential. Include in Central Oregon SAMP. Appraise and manage in accordance with SAMP.
Remington Road Tract Crook County T16S R16E S22 & 27 TL2200	Trust	320 acres	Not appraised.	Active	Manage for rural development potential. Include in Central Oregon SAMP. Appraise and manage in accordance with SAMP.

Table 9: Specific Management Direction, ICR Lands, cont.

Parcel / Location	Type	Description	Value	Management Category	Strategy
Davis Road Tract Crook County T15S R16E S20 TL 1700	Trust	232 acres. Leased for grazing. In area of large lot homesites and subdivisions.	Not appraised.	Active	Manage for rural development potential. Appraise and manage in accordance with SAMP or individual site master plan..
Stillman Road Tract Crook County T16S R15E S5 & 6 TL 600 T15S R15E S32 TL 3700	Trust	144 acres	Not appraised.	Active	Manage for rural development potential. Appraise and manage in accordance with SAMP or individual site master plan..
N. Siuslaw/Bar View Lane County T18S R12W S09 TL500	Non-Trust	249 acres. Primarily interdunal lands	Not appraised; $295,000 RMV.	Active	Manage for non-development uses. Prepare SAMP and investigate potential for disposal as public recreation site and for natural resource protection. Appraise and manage in accordance with SAMP.
Lake Owyhee Cabins Malheur County T24S R44W S16 TL 200	Trust	160 acres. 4 cabin sites.	Not appraised; Cabins - $69,330 RMV Land - $33,880 RMV	Active	Manage for rural development potential. Renegotiate leases to market rates and periodically review to ensure market rates are attained. Investigate potential for additional cabin site development.
Government Hill Tract Klamath County T38S R9E S10 TL800	Trust	40 acres. Surrounded by Running Y Ranch resort.	Not appraised.	Active	Manage for rural development potential. Appraise and evaluate for disposal to Running Y Ranch or others.
Wocus Tract Klamath County T38S R9E S8 TL900	Trust	40 acres.	Not appraised.	Active	Manage for rural development potential. Appraise and evaluate for disposal.
Seven Devils Road Coos County T27S R14W S28 TL500	Trust	18 acres. Road easement held in perpetuity. Undeveloped. County has minor ownership interest.	Not appraised; $109,890 RMV	Active	Manage for rural development potential. Evaluate for highest and best use and for disposal.
Driver Valley Tract Douglas County T25S R4W S7 TL 200,400	Trust	28.6 acres. Near Sutherlin.	Not appraised.	Active	Manage for rural development potential. Evaluate for highest and best use and for disposal.

Table 9: Specific Management Direction, ICR Lands, cont.

Parcel/Location	Type	Description	Value	Management Category	Strategy
Applegate Tract Jackson County T38S R3W S16 TL 200	Trust	80 acres Near Ruch	About $400,000 if sold with road and approved homesite	Active	Manage for rural development potential. Resolve access and homesite issues. Develop disposal and marketing strategy.
Total (1)		*3155 acres*	*NA*		

Notes:
(1) Includes the addition of formerly unclassified lands and reclassifications from other land classes to ICR lands.

SPECIAL STEWARDSHIP LANDS

General

1. Manage Special Stewardship lands primarily to ensure the protection of unique scenic, wildlife, cultural, natural, or recreation values, and for research or education opportunities. Revenue generation activities will generally be permitted only if they do not adversely impact these values.
2. Develop criteria and policies for the identification, classification and management of lands containing sensitive or unique natural, cultural or recreational resources.
3. Establish, as necessary, special management prescriptions through the SAMP process to ensure the protection of unique scenic, wildlife, cultural, natural, or recreation features, as well as watersheds and sensitive, threatened and endangered species, and to provide research and education opportunities.
4. Consider the use of some Special Stewardship lands for wetland mitigation banks in order to generate revenues from the sale of mitigation credits.

Acquisition

5. Acquire additional Special Stewardship lands if they can be acquired with Non-Trust monies and set aside for a particular Non-Trust purpose (e.g., wetland mitigation banking).

Disposal

6. Consider the transfer of management of Special Stewardship lands, either by agreement, sale or exchange, if it is determined that another agency or entity is better equipped to protect the resource and public interest values.

Table 10: Specific Management Direction, Special Stewardship Lands

Land Type/ Location	Type	Description	Value (millions)	Management Category	Strategy
Tracts identified by ODF as Special Stewardship. Various locations	Trust	24,380 acres.	\$108 - \$224 million[(2)]	Limited	Retain. Manage per forest management plans and Special Stewardship land standards. Continue to utilize for HCP mitigation where applicable.
Bayshore Tidelands Clatsop County T8N R10W S12	Non-Trust	241 acres of tidelands.	Not appraised.	Limited	Retain. Evaluate for exchange or transfer of management to entity that would manage for natural resource values.
Astoria Airport Mitigation Tract Clatsop County T8N R10W S24 TL200; S25 TL 200	Non-Trust	46.72 acres. Wetland mitigation bank; undeveloped.	Not appraised.	Limited	Maintain use for mitigation banking.
Onion Peak Clatsop County T4N R10W S22&23	Trust	51 acres. NHA.	Not appraised.	Limited	Evaluate for exchange or transfer of management to entity that would manage for natural resource values.
Mott Island Clatsop County T8N R9W S1 TL600	Non-Trust	120 acres.	Not appraised.	Limited	Evaluate for exchange to DOI.
Rice Island Clatsop County Columbia River, RM 20	Non-Trust	200 acres. Columbia River island. Dredge spoils site.	Not appraised.	Limited	Maintain as dredge spoils site and for sand sales.
Knappa Slough Island Clatsop County T8N R7W S5&8	Non-Trust	5 acres. NHA.	Not appraised.	Limited	Evaluate for exchange to DOI.
Skull and Little Wallace Islands Columbia County T8N R4W S30 T8N R5W S35	Non-Trust	29 acres. Columbia River islands. NHA.	Not appraised.	Limited	Evaluate for exchange to DOI.
Gull Island Columbia County Columbia River, RM 55	Non-Trust	20 acres. Columbia River	Not appraised.	Limited	Evaluate for exchange to DOI.
Lord and Walker Islands Columbia County Columbia River, RM 62	Non-Trust	240 acres. Dredge spoils site.	Not appraised.	Limited	Maintain as dredge spoils site and for sand sales.
Goat Island Clackamas County T1N R4E S20, 28&29	Non-Trust	40 acres. PNHCA.	Not appraised.	Limited	Evaluate for exchange to OPRD.

Table 10: Specific Management Direction, Special Stewardship Lands, cont.

Land Type/ Location	Type	Description	Value (millions)	Management Category	Strategy
South Slough (Coos Bay) National Estuarine Research Reserve Coos County	Trust	4,771 acres; 3,771 acres uplands, 1,000 acres waterways. Managed in partnership with NOAA. NHCA.	Not appraised; $4.7 RMV, excluding timber.	Active	Continue to manage primarily to protect sensitive natural resources and for research, education, and recreation opportunities. Develop administrative rules to provide for other sources of funding, including OPRD and fees, per Advisory Committee recommendations. Invest in a forest management and restoration strategy, including assessing the potential for limited harvesting in conformance with the NERR Management Plan.
Simpson Reef/Cape Arago Coos County T26S R14W S18	Non-Trust	40 acres. NHA.	Not appraised.	Limited	Held in joint ownership with OPRD. Retain. Evaluate for transfer of management to entity that would manage for natural resource values.
Rogue Reef Curry County T36S R15W S16-17, 21-22,27	Non-Trust	800 acres[(1)]. NHA. Offshore collection of rocks.	Not appraised.	Limited	Retain. Evaluate for transfer of management to entity that would manage for natural resource values.
Humbug Mountain/Lookout Rock Curry County T335 R15W S23-26, 35,36	Non-Trust	1,000 acres. NHA.	Not appraised.	Limited	Retain. Evaluate for transfer of management to entity that would manage for natural resource values.
Winchuck Slope Curry County T415 R12W S16	Trust	193 acres. NHCA.	Not appraised.	Limited	Retain. Evaluate for exchange to entity that would manage for natural resource values.
Crook Point/Mack Reef Curry County T385 R14W S30,31	Non-Trust	134 acres. NHA.	Not appraised.	Limited	Retain. Evaluate for transfer of management to entity that would manage for natural resource values.
Eight Dollar Mountain Josephine County T38S R8W S8, 9,15-22,27-29	Trust	640 acres. NHA, adjacent to BLM ACEC. Inactive communication site lease.	Not appraised.	Limited	Manage by ODF for resource protection. Appraise and evaluate for disposal (sale or exchange) to entity, e.g., OPRD, that would manage for natural resource values.
Woodcock Creek Josephine County T38S R8W S16	Trust	640 acres. NHCA.	Not appraised.	Limited	Retain. Evaluate for exchange to entity that would manage for natural resource values.
North Spit Umpqua River Douglas County 21S 13W S36 TL500	Trust	298 acres. Sand dunes In-holding within Oregon Dunes National Recreation Area.	Not appraised.	Limited	Evaluate for sale or exchange to USFS.

Table 10: Specific Management Direction, Special Stewardship Lands, cont.

Land Type / Location	Type	Description	Value (millions)	Management Category	Strategy
Douglas County T25S R4W S7 TL2300	Non-Trust	12.8 acres. Tidal marsh.	Not appraised.	Limited	Evaluate for disposal to USFS or South Slough NERR.
Newberry National Volcanic Monument in-holdings Deschutes County T19S R11E S36 TL 201 (Parcel A) T18S R11E S36 TL 1300 (Parcel B)	Trust	595 acres in two tracts adjacent to Monument: Parcel A: 515 acres. Parcel B: 80 acres.	Parcel A: $96, 240 (RMV). Parcel B: $26, 960 (RMV).	Active	Investigate geothermal potential. Evaluate for disposal (sale or exchange) to entity, e.g., USFS, that would manage for natural resource values e.g. lava fields.
Bull Flat Deschutes County T16S R11E S29-33	Trust	274 acres. NHA. Former Tumalo Reservoir site.	Not appraised.	Limited	Evaluate for disposal (sale or exchange) to entity that would manage for natural resource values.
Steens Mountain Summit Harney County T33S R33E S 36	Trust	431 acres. NHA; communication lease site.	Not appraised.	Active	Maintain communication site leases. Evaluate for disposal (sale or exchange) to BLM as part of Steens Mountain Cooperative Management and Protection Area.
Klamath County T40S R8E S22 TL 1400	Non-Trust	2 acres	Not appraised.	Limited	Evaluate for disposal.
Crump Lake South Lake County T38S R24E S34&35	Non-Trust	320 acres. NHA, with portions under grazing lease.	Not appraised.	Active	Retain. Continue leasing for grazing those portions not being managed as NHA.
Piute Creek Lake County T40S R26E S25,36 T40S R27E S30-32 T41S R27E S6-7	Non-Trust	1,300 acres. NHA, with portions under grazing lease (part of a larger grazing leasehold).	Not appraised.	Active	Retain. Continue leasing for grazing those portions not being managed as NHA.
Lake County T33S R21E S16 TL 500 T34S R21E S16 TL 200 T34S R21E S36 TL 200	Trust	1640.68 acres in three tracts: 639.13 acres 623.43 acres 378.12 acres Lake Abert bed and banks	Not appraised.	Limited	Evaluate for disposal to BLM.

Table 10: Specific Management Direction, Special Stewardship Lands, cont.

Land Type/ Location	Type	Description	Value (millions)	Management Category	Strategy
Malheur County T26S R43E S16 TL200	Trust	135 acres in two parcels: -101 acres - 34 acres On Owyhee River above Lake Owyhee. State and federal Wild & Scenic River	Not appraised.	Limited	Evaluate for disposal to BLM.
Nestucca Bay Tillamook County T45 R10W S31-32 T55 R10W S5	Non-Trust	400 acres. NHA.	Not appraised.	Limited	Evaluate for exchange or transfer of management to entity that would manage for natural resource values.
Yachats Lincoln County T14S R12W S27	Non-Trust	160 acres. NHA.	Not appraised.	Limited	Evaluate for exchange or transfer of management to entity that would manage for natural resource values.
Total (3)		38,219 *acres*	$4.7		

Notes:
(1) Includes ocean between offshore rocks.
(2) Estimate based on values in Appendix G.
(3) Includes the addition of formerly unclassified lands and reclassifications from other land classes to SS lands.
ACEC = Area of Critical Environmental Concern
ACOE = US Army Corps of Engineers
BLM = Bureau of Land Management
DOI = US Department of the Interior
NHA = Natural Heritage Area listed in Register of Natural Heritage Resources by Oregon Natural Heritage Plan
NHCA = Natural Heritage Conservation Area, as designated by Oregon Natural Heritage Plan
NOAA = National Oceanic and Atmospheric Administration
ODF = Oregon Department of Forestry
OPRD = Oregon Parks and Recreation Department
RM = River mile
RMV = Real market value
USFS = US Forest Service
USFWS = US Fish and Wildlife Service

Waterways

General

1. 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; the Department's administrative rules; and other relevant state and federal statutes, regulations and policies.
2. Manage submerged and submersible lands on title-navigable and tidal waterways to ensure the collective rights of the public to fully use and enjoy them for commerce, navigation, fishing, recreation and other related public purposes.
3. Consistent with State law, conduct and complete navigability studies as directed by the Land Board to ensure the public's right of use of rivers, lakes and other bodies of water to which the state has a valid ownership claim.
4. Actively pursue leases and other authorizations for unauthorized uses and for unleased lands and enforce trespass regulations.
5. Review state laws that affect the ability of the Department to charge for currently exempt waterway uses, e.g., prohibition on leasing for wharfs.
6. Conduct a review of policies and fees for easements for undersea cables, including a comparative assessment of policies and fees in California, Washington and British Columbia.
7. Continue to update the waterway improvement inventory database, and ensure that new uses or changes to the use of state-owned submerged and submersible land are brought into compliance.
8. Continue to be involved with the Hydroelectric Application Review Team to bring facilities without authorization that occupy state-owned submerged and submersible land into compliance.
9. Pursue options to increase revenue from the beneficial uses of dredge spoils. Work with the State of Washington on review of royalty rates related to beneficial use of dredge spoils.
10. Develop a policy regarding remedial actions to be taken by responsible parties for contaminated sediments on state-owned submerged and submersible land in the Portland Harbor Superfund Site.
11. Develop, as necessary, cooperative agreements with government agencies and other entities regarding the Portland Harbor Superfund Site remediation activity.
12. Investigate the potential for a conservation easement program for undeveloped waterway areas.

Retention/Disposal

13. Retain all Waterways, except consider the disposal of "new lands," historically filled lands, and contaminated lands on a case-by-case basis. The term "new lands" is defined in ORS 274.905.

Acquisition

14. Evaluate opportunities to acquire adjacent uplands to facilitate the development of prime waterfront locations as CSF investments, subject to performance targets and return-on-investment analyses.

Table 11: Specific Management Direction, Waterways

Land Type/Location	Type	Description	Management Category	Strategy
Territorial Sea		600,000 +/-acres. (1)		Manage per Oregon Ocean Resources Management Plan, Statewide Planning Goal 19, and other state and federal policies and regulations.
▪ Leased	Non-Trust	1 lease. 2.9 acres. Commercial marina; Port of Port Orford.	Active	Manage for public trust values, including commercial uses. Evaluate lease rates.
▪ Unleased	Non-Trust	see other areas.	Limited	Manage for protection of public trust values.
Submerged/Sub-mersible Lands		200,000 +/-acres. (1)		
▪ Leased	Non-Trust	426 leases. 1,271 acres. - Commercial Marinas: 692 acres - Non-Commercial Marinas: 138 acres - Log Raft/Log Storage: 275 acres - Marine Industrial/Marine Service: 114 acres - Non-Marine (e.g., restaurants, retail, etc.): 17 acres - Other (historic vessel, government use, non-profit use): 39 acres	Active	Manage for public trust values, including commercial uses. Evaluate lease rates.
▪ Unleased	Non-Trust		Limited	Continue to identify unauthorized uses and bring under authorization.
Unadjusted Total (2)		800,000+/- acres		
Adjustments (3)		*(4,528 acres)*		
Adjusted Total		*795,472 acres*		

Notes:
(1) Estimated acreage.
(2) Prior to reclassifications and other adjustments by this Plan.
(3) Includes the addition of formerly unclassified lands and reclassifications from other land classes to Waterways.

MINERAL AND ENERGY RESOURCES

Mineral Resources

1. CSF lands will be open to mineral exploration and development subject to existing laws, regulations and management plans. CSF Lands will be open to mineral activity unless the proposed use would:
   - Have significant adverse and non-mitigable impacts on watershed integrity and natural, cultural or archaeological features;
   - Substantially conflict with, or preclude, existing or future uses of the subject land that offer a higher return;
   - Significantly interfere with the Public Trust uses on Non-Trust land; or
   - Are 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 specific area management plan.
2. Develop working guidelines, in cooperation with other state agencies (e.g., DOGAMI, ODOE, ODFW, ODEQ, etc.) for permitting solar, gas, oil, wind, geothermal, mineral, and wave energy development using environmentally sound techniques.
3. Periodically review fees for mineral exploration and leases and royalties for mineral production.
4. Prior to investing in a mineral exploration or development project or acquiring a known mineral property, conduct a geological evaluation and financial analysis to ensure a rate-of-return commensurate with the risk.
5. Revise the administrative rules governing the issuance of authorizations for the exploration for/development of sand and gravel; oil and gas; geothermal resources; and quarry rock to make them more understandable to the public. Streamline the processes required to obtain the necessary authorizations; and ensure that they address agency and public concerns.
6. Partner with federal agencies and the private sector to identify and conduct needed research on environmentally responsible practices for sand and gravel operations within state waterways.

Retention/Acquisition/Disposal

7. As general guidance, retain all mineral interest ownerships unless a geologic evaluation reveals no or extremely limited mineral or geothermal potential.
8. Exchange mineral rights with the BLM on split estate lands when it results in equivalent mineral or geothermal potential.

Energy Resources

9. Continue to participate in the implementation of the Oregon Renewable Energy Action Plan.
10. Explore solar, wind, geothermal, wave and other renewable energy source opportunities in coordination with the ODOE and other appropriate agencies.

11. Cooperate with biomass energy developers in locating potential facility site locations on state lands where it can be accommodated, taking into account the Department's Trust obligations and current lease commitments.
12. Develop administrative rules governing wind turbines/wind farms and ocean wave generating facilities.
13. Investigate the feasibility of an energy park, with solar, wind and other energy-producing sources, at the Department's Hampton property and/or other appropriate locations.

Retention/Acquisition/Disposal

14. As general guidance, retain all known energy resources.

Table 12: Specific Management Direction, Mineral and Energy Resources

Land Type/Location	Type	Description	Value	Management Category	Strategy
Mineral Resources					
Leases					
Balsam Quarry Klamath County 39S 8W11 TL 200, 1200	Trust	66 acres. Limited rock quarry; reserves appear exhausted. Approximately 15 acres in TL 200 and 40 acres in adjoining TL 1200 are undeveloped.	Not appraised; TL 200 - $35,200 RMV [(3)]; TL 1200 - $8,800 RMV [(3)].	Limited	Conduct appraisal and evaluate for disposal.
Eagle Picher Mine Harney County 19S 36E S19	Trust	640 acres. Diatomaceous earth production.	Appraised; $1.17-$1.56M.	Active	Retain. Renegotiate lease to reflect various uses of site.
Windsor Rock Marion County 6S 3W S16&21	Non-Trust	100 acres. Combination lease-sand and gravel operation and land rental.	Not appraised.	Active	Retain. Continue to lease.
Fort Rock Lake County 26S 15W S16 TL 2100	Trust	30 acres (portion of 640-acre tract). Gravel pit.	Not appraised; $4,150 RMV [(3)].	Active	Appraise and investigate for expansion of aggregate extraction.
Oil and Gas Leases Columbia, Clatsop and Coos Counties	Trust & Non-Trust	4 upland leases; 321 acres. 9 waterway leases; 11,739 acres.	Not appraised.	Active	Manage per lease agreements.
Subtotal Leases		846 [(1)]	$1.22-$1.26 M [(4)]		
Mineral Rights					
Subsurface Rights Only	Trust and Non-Trust	753,000 acres.	Not appraised.	Limited	Respond to applications for leases and exploration permits. Periodically review lease, fee and royalty rates.
- Mineral rights within Steens Mountain Cooperative Management and Protection Area	Trust	33,000 acres.	Not appraised.	Evaluate	Evaluate for sale or exchange to BLM.

Table 12: Specific Management Direction, Mineral and Energy Resources, cont.

Land Type / Location	Type	Description	Value	Management Category	Strategy
Split Estates	Trust and Non-Trust	410,000 acres. Includes both surface and subsurface rights.	Not appraised.	Limited	Respond to applications for leases and exploration permits. Periodically review lease, fee and royalty rates. Investigate exchanges with BLM on split estate lands, with the Steens Mountains a high priority.
Total Mineral Resources		1,196,836 acres [1] [2]	$1.22 – $1.26 M [4]		
Energy Resources					
Hydropower	Non-Trust	1 site under easement: Marmot dam on Sandy River.	Not appraised.	Active	
	Non-Trust	Facilities on navigable waterways: - J.C. Boyle Dam on Klamath River (RM 223) - Hells Canyon Dam on Snake River (RM 248) - Oxbow Dam on Snake river (RM 273) - Brownlee Dam on Snake River (RM 285)		Active	
Wind and SolarEnergy					
Hampton Buttes Deschutes County 21S 19E; 20S 19&20E; numerous sections	Trust	2 large blocks totaling several thousand acres		Active	Investigate suitability for energy park and reclassify if appropriate

Table 12: Specific Management Direction, Mineral and Energy Resources, cont.

Land Type / Location	Type	Description	Value	Management Category	Strategy
- Other Suitable Sites	Trust and Non-Trust	- Several small parcels in northern Umatilla County. - Numerous parcels within the Stockade Block in Malheur and Harney Counties. - A small parcel in the vicinity of Union in Union County. - A small parcel in the vicinity of Chenoweth in Wasco County. - A small parcel on the North Coos Bay Spit. - A small parcel near Nicolai Mountain in Clatsop County.	NA	Active	Investigate suitability. Cooperate with ODOE, Energy Trust, other agencies, and developers to identify and develop sites.
Wave energy	Non-Trust	Unknown	NA	NA	Work with ODOE, utilities and private parties to identify potential projects. Establish rules for siting and fees.
Geothermal	Trust and Non-Trust	Undeveloped sites at Steens Mountain, Newberry Crater, and other locations	Not appraised	Limited	Cooperate with ODOE, DOGAMI and developers to identify and develop sites.
Total Energy Resources		NA	NA		
Unadjusted Total (2)		*753,846* (1)(2)	*$1.22 – $1.26 M* (5)		
Adjustments (6)					
Adjusted Total					

Notes:
(1) Incomplete; does not reflect acreage for oil and gas leases.
(2) For mineral rights, includes only subsurface rights. Total prior to the addition of formerly unclassified lands and reclassifications by this Plan.
(3) Does not include value of subsurface aggregate material.
(4) Incomplete value based on single appraisal and limited RMVs; does not include value of subsurface resources.
(5) Incomplete value based on limited appraisals and RMVs.
(6) Includes the addition of formerly unclassified lands and reclassifications from other land classes to Waterways.
DOGAMI = Department of Geology and Mineral Industries
M = Million
RM = River Mile
ODOE = Oregon Department of Energy

VI. Key Outcomes

This Asset Management Plan is intended to be a 10-year plan that is periodically reviewed and updated. As stated previously, one of the primary purposes of the Plan is to increase the amount of revenue generated by the Department's land-based assets and their contributions to the Common School Fund. This section identifies the anticipated results or outcomes of Plan implementation. These results will serve as indicators of Plan success.

A. Results of Implementation of Management Direction

The Plan provides the policy direction and management principles to guide both the short- and long-term management of the CSF's real estate assets. Expected key outcomes from implementation of the Plan's management direction are:

- A balanced approach to revenue enhancement and resource stewardship.
- A consistent and sustained stream of revenue from the CSF to schools.
- A more aggressively managed portfolio, with a strong focus on ICR lands and Mineral and Energy Resources to generate new revenues.
- A rebalanced portfolio through investment in assets with high performance potential and the strategic disposal of selected assets.
- Market level rates for leases and other authorizations.
- Realistic performance targets that assist the Land Board and Department in measuring progress in achieving key outcomes.
- Investment standards that help determine the value of proposed land acquisitions and capital improvements.

B. Results of Rebalancing of Portfolio

As noted above, a key Plan outcome is a rebalanced and more aggressive real estate portfolio through disposal of non-performing assets and investment/reinvestment in assets with greater return potential. It is expected that this rebalancing will be accomplished through:

- *Completion of in-lieu selections of federal land owed to the state.*

  Approximately 3,400 acres of in-lieu land selections remain to be completed. The majority of the candidate properties identified by the Department for these selections are located in central Oregon. For purposes of illustrating the effects of obtaining these lands on a rebalanced portfolio, it is projected that 3,280 acres are classified as ICR lands and 180 acres are transferred to other parties.
- *Reclassifications of lands to better reflect their current and potential uses.*

  The Plan proposes reclassifying over 35,024 acres, with Forest lands, ICR lands and Special Stewardship lands the classes most affected.
- *Disposal in the short term of approximately 12,000 acres of unleased, isolated Rangelands and a significant proportion of 12,000 acres of Forest lands identified for evaluation for disposal.*

  For illustration purposes, all of the Rangelands and 10,000 of the 12,000 acres of Forest lands to be evaluated for disposal are projected to be sold.

- *Disposal, through sale or exchange on a case-by-case basis, of assets not meeting management expectations; certain ICR lands for development purposes; and certain Special Stewardship lands to other entities to manage for resource protection.*

  Again for illustration purposes, approximately 700 acres of ICR lands, 2,000 acres of Special Interest lands, and 65 acres of Mineral and Energy Resource lands are projected to be sold or exchanged during the planning period.

- *Use of land sale proceeds to acquire ICR lands, Agricultural lands, Forest lands, and energy sites.*

  Because of the overly speculative nature of such projections, an acreage figure is not estimated for land acquisitions during the planning period. Rather, for illustration purposes only (this does not represent policy direction), it is estimated that $20 to $25 million in revenues could be generated through land sales. It is assumed that 60% of those could be reinvested in land acquisitions, with the remainder invested in land improvements or held in the Revolving Fund. Thus, approximately $15 to $18 million could be expended on land acquisitions, with $10 million on the acquisition of new ICR lands, $3 million on Forest lands, and $5 million on Agricultural lands.

Table 13 illustrates the results of these measures as compared to the mix of lands resulting from Plan adoption. Appendices I-L identify, by quarters of the state, lands to be lands to be retained for long-term revenue generation, lands that are priorities for acquisition, lands that are priorities for evaluation for disposal, and lands with notable potential for appreciation in value through investment. *(These appendices to be included in Final Adopted Plan document)*

Table 13: Rebalanced Land Portfolio by Land Class

Land Class	Current Lands [1] (acres)	% of Portfolio	Classifications and Reclassifications (acres)	Adjustments (acres) [2]	Rebalanced Portfolio (acres)	% of Portfolio
Forest Lands	131,000	5.62	105,805	(9,000)	96,805	4.2
Agricultural Lands	5,700	0.24	6,333	0	6,333	0.27
Rangelands	634,000	27.22	630,866	(12,000)	618,866	26.8
ICR Lands	695	0.03	3,155	2,600	5,755	0.25
Special Stewardship Lands	4,771	0.21	38,352	(2,000)	36,352	1.6
Waterways	800,000+/-	34.35	795,472	0	795,472	34.4
Mineral and Energy Resources	753,000	32.33	753,130	(65)	753,065	32.6
Total	2,329,166	100	2,333,113	--	2,312,648	100

Notes:
(1) Prior to reclassifications by this Plan.
(2) Changes due to projected land disposal through sale or exchange and land acquisitions through in-lieu land selections. Land acquisition through reinvestment of land sale proceeds is not projected.

C. Results of Implementation of Plan Strategies

Plan strategies address a wide range of activities to be accomplished over the planning period. Key expected accomplishments include:

- Completion of in-lieu selections.
- Implementation of a "Central Oregon strategy" pursuant to a SAMP or individual site master plans for all CSF properties in Central Oregon.
- Disposal of certain Forest lands and Rangelands.
- Investment/reinvestment in ICR lands to increase land values and CSF revenues.

These and other Plan strategies would be expected to conservatively generate $5 to $10 million in gross revenues from land sales only over the next five years and $20 to $25 million over the 10-year planning period. Leases, easements, rents and other use authorizations would add to the revenues generated; however, the amount cannot be estimated at this time.

Successful achievement of these outcomes will require additional resources. Plan management and administration is expected to require additional funding for staff and services in order to process land sales, land development activities and planning associated with the more active land classes (e.g., ICR, Forest and Agriculture). Current staff of the Department's Land Management Division consists of 20 positions with a biennial budget of about $2.847 million (personnel costs comprise 67%). At this time, it is difficult to estimate the exact increase in budget needed but a conservative estimate could be as much as another $1 to $2 million per biennium. These costs would likely increase slowly over the ten year plan period as activity increases. This does not include capital costs or expenditures for acquisition and improvement taken from the CSF principal or the Land Revolving Fund. It also does not include funds needed to manage hazardous materials clean-ups in various waterways.

Appendix A. Glossary

Active Management	Category applied to lands that are leased, occupied with facilities, or otherwise being actively managed and included in the assessment of performance targets.
Agricultural Lands	Lands managed for the production of agricultural commodities.
AMP	1995 Asset Management Plan; replaced by this Plan.
Authorization	Any permission given by the Land Board or Department for the use of CSF lands. Includes leases, easements or rights-of-way, licenses, temporary use permits, etc.
BLM	Bureau of Land Management, U.S. Department of the Interior.
Blocked Lands	Blocked Forest lands are those CSF lands that are adjacent to other CSF or BOF lands and that have been consolidated into units for more efficient management. Blocked Rangelands are those where the total contiguous area is 640 acres or greater.
BOF	Oregon Board of Forestry.
Certified Forest Lands	Forest lands managed by ODF for DSL.
CSF	Common School Fund.
CSFL	Common School Forest Land. Trust forest lands.
De-certified Forest Lands	Forest lands returned by ODF to DSL for management.
Department (DSL)	Oregon Department of State Lands.
Disposal	Transfer, exchange or sale from DSL to another entity.
DOGAMI	Oregon Department of Geology and Mineral Industries.
DOI	U.S. Department of the Interior.
Energy Resources	Includes solar, geothermal, hydropower, wave energy, and wind energy.
Fair Market Value	The amount of money a willing buyer or lessee will pay to purchase or lease for property of the same or similar use as the subject.
Forest Lands	Lands managed primarily to produce merchantable timber for periodic harvest and sale according to a specific plan developed by forest managers.
Industrial/Commercial/Residential Lands (ICR)	Lands managed for industrial, commercial or residential uses or managed as transitional lands pending anticipated urban development.
In-Lieu Lands	Trust lands granted to the State in lieu of Sections 16 and 36 if they were not available at time of statehood.

Isolated Parcel	A parcel that is either largely surrounded by land not owned by the state, isolated from larger state-owned tracts, and/or difficult or uneconomical to manage. Isolated Rangelands are those parcels or groups of parcels less than 640 acres in size.
Land Classes, Classification	System to classify lands by suitability for both existing and potential uses and to apply management prescriptions to categories of land uses.
Limited Management	Category applied to lands that are not leased, actively managed, or invested in and that are excluded in the assessment of performance targets.
Market Rate of Return	The ratio of net operating costs to the asset value for similarly-situated business enterprises. It is expressed as a percentage.
Mineral Lands	State-owned subsurface mineral ownership interest and lands developed for mineral resource development or exploration.
Mineral Resources	Includes oil, gas, sulfur, coal, gold, silver, copper, lead, cinnabar, iron, manganese and other metallic ore, and any other solid, liquid or gaseous material or substance excavated or otherwise developed for commercial, industrial or construction use from natural deposits situated within or upon state lands, including mineral waters of all kinds.
Natural Heritage Conservation Area (NHCA)	A natural area dedicated by the State Land Board under the Natural Heritage Act as part of a statewide system of protected natural areas. NHCAs can be state or privately owned.
New Lands	Lands created on state-owned submerged and submersible land by artificial fill or contaminated submerged and submersible lands.
Non-Trust Lands	Lands managed by DSL that are not Admission Act grant lands (e.g., navigable rivers, Swamp Land Grant Act).
ODEQ	Oregon Department of Environmental Quality.
ODF	Oregon Department of Forestry.
ODFW	Oregon Department of Fish and Wildlife.
ODOE	Oregon Department of Energy.
ODOT	Oregon Department of Transportation.
Oregon Natural Heritage Plan	2003 plan to provide guidance to federal, state, and local agencies and private landowners on the most efficient way to create a comprehensive system of natural areas in the state. Establishes criteria for the selection of natural areas suitable for: (1) inclusion on the Oregon Register of Natural Heritage Resources; (2) dedication as a Natural Heritage Conservation Area; (3) designation as a Research Natural Area; or (4) designated as another public or private reserve.

Oregon Register of Natural Heritage Resources	A registry maintained by the Natural Heritage Program of significant natural areas, voluntarily managed in ways that protect one or more natural heritage resources.
Path of Progress	Urban reserves, urban unincorporated communities, rural community centers, and other areas likely to be developed for non-resource uses within the planning period.
Performance Targets	Goals for return on asset value to be achieved during the planning period.
Plan	This 2006 Asset Management Plan; replaces 1995 AMP.
Planning Period	Ten years, the anticipated life of the AMP before revision.
Rangelands	Lands classified and managed for livestock grazing.
Real Market Value (RMV)	Land value established by county assessor's office for taxation purposes; typically lower than the appraised or fair market value.
Research Natural Area (RNA)	Areas established by federal agencies under the plan of the Pacific Northwest Research Natural Area Committee. The RNA is the federal counterpart of the NHCA, as the Oregon Natural Heritage Program is the state counterpart of the federal research natural area program.
Return-on-Asset Value (ROAV)	The ratio, expressed in percent, of the net operating income and the value of the asset.
Scattered Tracts	Small tracts of state forest land not contiguous to other DSL or ODF forest lands.
Specific Area Management Plan	Plan for a specific type, e.g., ICR lands, or area of state lands that is a site-specific plan to carry out the goals and strategies of the AMP. Formerly referred to as area management plan.
Split Estates	Lands where surface rights and subsurface mineral rights are owned by separate parties.
State Land Board	Comprised of the Governor, Secretary of State, and State Treasurer, the Land Board serves as the trustee for the CSF.
Special Stewardship Lands	Lands managed primarily to protect sensitive or unique natural, cultural or recreational values.
Submerged Lands	Lands lying below the line of mean low tide in the beds of all tidal waters within the state; or below the ordinary low water line of non-tidal waterways.
Submersible Lands	Lands lying between the line of ordinary (mean) high water and the line of ordinary (mean) low water.
Territorial Sea	Waters and the seabed three miles (nautical) seaward of the mean low water
Trust Lands	Lands granted the state for schools by the Admission Act or lands purchased/exchanged with proceeds or value derived from such lands.
Waterways	Submerged and submersible lands underlying navigable waterways, the Territorial Sea, and "swamp lands" granted to the state by the federal government.

Appendix B. Steering Committee Roster

MEMBERS

Louise Solliday	Chair; Director, Department of State Lands
Ann Hanus	Former Chair and Director, Department of State Lands
Chuck Bennett	Confederation of School Administrators
Mike Carrier	Governor's Office; Natural Resource Policy Director
Phil Cogswell	Citizen at Large
Jesse Cornett	Legislative Liaison and Advisor, Secretary of State's office
Inga Deckert	Director of Legislative and Public Affairs, Office of the State Treasurer's
Mike Mueller	Assistant Director, Investment Division, Oregon State Treasury
Steve Thomas	Assistant State Forester, Oregon Department of Forestry (ex-officio)

STAFF

John Lilly	Project Manager; Department of State Lands
Jeff Kroft	Department of State Lands
Steve Purchase	Assistant Director; Department of State Lands
Nancy Pustis	Department of State Lands

CONSULTANT TEAM

Jim Owens	Consultant Project Manager; Cogan Owens Cogan, LLC
David Pietka	PGP Valuation, Inc.
John Ingle	PGP Valuation, Inc.
Jeff Grose	PGP Valuation, Inc.
Carl Ehlen	Mason, Bruce & Girard, Inc.

Appendix C. Excerpts from Crookham Opinion

Excerpts from Crookham Opinion (No. 8223) July 24, 1992 Concerning Management of Common School Fund Lands:

- The Oregon Admission Act does impose an obligation upon the board to manage Admission Act lands“ for the use of schools.”
- Oregon’s acceptance of the proposition of its Admission act, granting land to the state “for the use of schools”, imposed a binding obligation on the state.
- Oregon must use Admission Act lands for schools and not for any purpose that is inconsistent with such use.
- ….the school lands granted to the State of Oregon are a trust for the benefit of public education. It is the duty of the state to dispose of them for as near full value as may be, and to create thereby a continuing fund for the maintenance of public schools. [Oregon Supreme Court: Grand Prize Hydraulic Mines v. Boswell]
- The management standard in Article VIII Section5(2) of the Oregon Constitution simply directs the board to manage the lands…”with the object of obtaining the greatest benefit for the people of this state, consistent with the conservation of this resource under sound techniques of land management.”
- The words “with the object of obtaining” do refer to purpose and intent. Yet the stated purpose, “obtaining the greatest benefit for the people of this state,” is consistent with the dedication of the Admission Act lands for the use of schools, and that use exclusively. The “greatest benefit” would mean only greatest benefit not otherwise inconsistent with the trust purposes of “use for schools.”
- The language of Article VIII Section 5(2) does not change the purpose for which Admission Act lands are held in trust.
- ….other permissible uses [of Admission Act lands] e.g., public recreation, can be easily explained as an express authorization for such uses where no good economic use of the lands for schools could be presently found….
- The 1968 Constitutional amendment (HJR 7) brought a subtle change in emphasis to the management of Admission Act lands from sale to management.
- The 1968 Constitutional amendment (HJR 7) voter’s pamphlet calls for the Land Board to “…manage such retained lands with the object of obtaining the highest returns for the people of this state, consistent with the conservation of this resource under sound techniques of land management developed from time to time; and … it is essential that the State of Oregon use and invest the assets of the Common School Fund with the object of conferring maximum aid to education in the state, consistent with prudent investment practices prevailing from time to time.…”

▪ “The goal imposed by Section 5(2) … requires the State Land Board … to use lands dedicated to the Common School Fund in such a way as to derive the greatest net profit for the people of this state” Johnson v. Dept of Revenue (1982).

- ...this standard (Article VIII Section 5(2)) is not itself an objective; it necessarily requires identification of the objective that would be the greatest benefit for the people, e.g., production of income, recreation, conservation.
- For the purposes of Admission Act lands, the "greatest benefit for the people" is to use the land for schools and the production of income for the Common School Fund. The Admission Act does not limit the board in applying the Article VIII standard. The board's management responsibilities under Article VII Section 5(2) with respect to Admission Act lands are to attain the greatest benefit for the schools "consistent with the conservation of the lands under sound techniques of land management."
- These management responsibilities require the board to obtain full market value from the sale, rental or use of the Admission Act lands, while conserving the corpus of the trust.
- We (the AG) have previously characterized this obligation as a duty to maximize the value of, and revenue from, these lands over the long term.
- …the duty to "maximize revenue" does not limit the board to 'mechanical consideration' of economic factors: …in every case the consideration must be directed to determination of the appropriate action to be taken to achieve … benefit to the Common School Fund.…"
- ...Maximum return over the long run necessarily requires a policy of sustained yield from a forest resource, because the trustee's duty to conserve trust property requires the board to conserve the resources committed to its management. In other words, the board may incur present expenses or take management actions that reduce present income if these actions are intended to maximize income over the long term.
- The board may set lands aside temporarily for the purpose of "banking" an asset while its economic value appreciates, if the board has a rational, non-speculative basis for concluding that such action will maximize economic return to the Common School Fund over the long term.
- Also the board may have good trust reasons for conserving resources that have little or no commercial value at the present time. With conservation of productive trust property as its goal, the board must view the land resource as an interrelated whole. Promoting the long-term health of revenue producing resources may require conservation measure aimed at non-commercial resources such as water or soils.
- No land board can predict with certainty what revenue-generating opportunities or resources conservation and management concerns may develop in the future.
- Revenues for the CSF must remain the board's overriding objective with respect to Admission Act lands that are retained…. However, the management standard in Article VIII Section 5(2) calls on the Board to seek methods for accommodating the broader public interests, if that can be done while still maximizing revenue for the CSF.
- Thus, if the board determines that a particular parcel of Admission Act land does not currently offer revenue generating potential, the board is free to manage it for any values that obtain the greatest benefit to Oregonians, consistent with the conservation of the resource under sound techniques of land management.
- The Board is not required to maximize present income from the Admission Act lands without regard to other considerations. Rather the board's duty is to manage the lands for the long-term benefit of the schools. Thus, the board may sacrifice present income to preserve the property, if it determines this will enhance income for the future. Non-economic factors may

be considered only if they do not adversely affect the potential financial contribution to the Common School Fund over the long term.

- …the Legislature cannot impose regulatory requirements on the Board's management of lands constitutionally dedicated to the CSF if to do so would interfere with the Board's exercise of its management responsibilities under Article VIII section 5(2) of the Oregon Constitution.
- …the constitutional management standard gives the Board broad discretion to decide what is the wisest use of the resources to generate income for the CSF, as long as that use is consistent with the goal of maximizing revenue over the long term.
- …"general institutional inconvenience" to an undue interference with the Board's duty is impossible to define, especially in the absence of a specific factual context.
- The board is not required to comply with the State ESA if compliance would unduly burden or restrict the Board's exercise of its constitutional powers of and manage Admission Act lands.
- The board has exclusive power and authority to sell and to manage lands under its jurisdiction independent of any legislative action (AG's Opinion 1972).
- ORS 273.201 cannot validly be applied to lands belonging to the CSF if the Board in exercising its management responsibility under Or Const Art VIII sec 5(2), determines that application to it … would impair its ability to achieve the maximum financial benefits for the CSF.

Appendix D. Classification of Unclassified Lands

(Note: This table may be revised after cross-checking against Department records.)

Location	Type	Description	Classification	Management Direction
Linn County T14S R2W S27 TL1099	Trust	20 acres	Forest, Scattered	Evaluate for disposal
Benton County T14S R6W S9 TL800	Trust	15.8 acres	Forest, Scattered	Evaluate for disposal
Deschutes County T15S R11E S16 TL3000	Trust	40 acres	Rangelands, Isolated, Unleased	Evaluate for exchange with BLM
Cline Butte Deschutes County T15S R12E S20 TL5300 T15S R12E S21 TL5300	Trust	160 acres	ICR	Manage for development potential. Continue to lease. Include it and adjacent in-lieu land in Central Oregon SAMP. Appraise and manage in accordance with SAMP.
Newberry National Volcanic Monument inholdings Deschutes County T18S R11E S36 TL201 T19s R11E S36 TL1300	Trust	595 acres in two tracts adjacent to Monument	SS	Investigate geothermal potential. Evaluate for disposal (sale or exchange) to entity, e.g., USFS, that would manage for natural resource values e.g. lava fields.
Multnomah County T1S R5E S19 TL500	Trust	29.5 acres Near Sandy River, north of Dodge Park	ICR	Evaluate for disposal
Douglas County T21S R12W S24 TL300	Swampland Grant Act/ Non-Trust	12.8 acres Tidal marsh	SS	Evaluate for disposal to USFS/South Slough NERR
Douglas County North Spit Umpqua River T21S R13W S36 TL500	Non-Trust	298 acres Sand dunes In-holding within Oregon Dunes National Recreation Area.	SS	Evaluate for disposal to USFS as part of Dunes NRA.

Location	Type	Description	Classification	Management Direction
Driver Valley Tract Douglas County T25S R4W S7 TL200, 400	Trust	28.6 acres in two tracts: 20.98 acres 7.63 acres near Sutherlin	ICR	Evaluate for disposal.
Douglas County T25S R8W S16 TL2300	Trust	324 acres	Forest, Scattered?	Evaluate for disposal
Seven Devils Rd Tract Coos County T27S R14W S28 TL500	Trust	18 acres. Road easement held in perpetuity. Undeveloped.	ICR	Manage for rural development potential. Evaluate for highest and best use and for disposal.
Hood River County T2N R10E S14 TL 1800	Trust	20 acres	ICR	Evaluate for disposal.
Wasco County T2N R12E S14 TL 600	Trust	9.77 acres	Agriculture	Evaluate for disposal.
Curry County T32S R14W S4 TL 1401	Trust	40 acres	Forest, Scattered	Evaluate for disposal.
Lake Abert Lake County T33S R21E S16 TL 500 T34S R21E S16 TL 200 T34S R21E S36 TL 200	Trust	1640.68 acres in three tracts: 639.13 acres 623.43 acres 378.12 acres	SS	Evaluate for exchange with BLM for renewal energy potential.
Wolf Creek Tract Josephine County T33S R6W S22 TL 600	Trust	40 acres	Forest, Scattered?	Evaluate for disposal.
Rogue River Tract Curry County T35S R12W S15 TL 1700 Curry County	Trust	23.37 acres Below Agness	Forest, Scattered?	Evaluate for disposal to USFS.
Klamath County T37S R13E S36 TL 2100	Trust	40 acres Near Dry Lake	Rangelands, Isolated, Unleased	Evaluate for disposal.
Jackson County T38S R3W S16 TL 200	Trust	80 acres Near Ruch	ICR	Evaluate for disposal.
Reservation Mountain Umatilla County T3N R27E S16 TL 6690	Trust	1.21 acres	Rangelands Isolated, Unleased ?	Evaluate for disposal.

Location	Type	Description	Classification	Management Direction
Yamhill County T3S R5W S26 TL 50	Trust	13.02 acres	Forest, Scattered	Evaluate for disposal.
Klamath County T40S R8E S22 TL 1400	Swampland Grant Act/ Non-Trust	2 acres	SS	Evaluate for disposal.
Marion County T8S R2W S22	Trust	11.9 acres	ICR	Evaluate for disposal.
Clackamas County T2S R6E S36 TL 100	Trust	72.9 acres	Forest, Scattered?, Certified	Evaluate for disposal.
Malheur County T26S R43E S16 TL200	Trust	101 acres	SS	Evaluate for exchange to BLM.
Grant County T7S R29E S8 TL 2200	Trust	80 acres On John Day River	Rangelands, Isolated, Unleased	Evaluate for disposal.
Wildhorse Cyn Tract Wasco County T8S R18E S36 TL 1500	Trust	480 acres Leased to Young Life for youth camp sewer lagoon and grazing	Rangeland, Leased	Evaluate for disposal.
Total		4,197.55 acres		

Appendix E. Reclassifications

(Note: This table may be revised after cross-checking against Department records.)

The following table identifies reclassified lands by land class; more specific information on these parcels is provided in Table 6 - 12 in Section V.

Current Land Class	Acres	Reclassification	Rationale
Forest Lands			
Woodcock Creek Josephine County T38S R8W S16	640	SS	NHA; DOF manages 39 acres as Special Stewardship.
Eight Dollar Mountain Josephine County T38S R8W S8,9,15-22,27-29	640	SS	NHA.
Winchuck Slope Curry County T41S R12W S16	189	SS	NHCA.
Peterson Burn Road Tract Deschutes County T15S R10E S20 TL1400	160	ICR	Within area of rural residential development.
Onion Peak Clatsop County T4N R10W S22,23	51	SS	NHA; jointly managed by DSL, ODF and Nature Conservancy.
Tracts identified by ODF as Special Stewardship	24,380	SS	Managed by DOF as Special Stewardship because of aquatic and riparian habitat, wildlife habitat, visual, cultural resource, or recreation values.
Total	26,060		
Agricultural Lands	No lands reclassified.		

Current Land Class	Acres	Reclassification	Rationale
Rangelands			
Stevens Road Deschutes County T18S R12E S11	640	ICR	12.49 acres within Bend UGB; remainder adjacent to UGB. Master plan being developed for future urban development.
Highway 20 Tract Deschutes County T16S R11E S9 TL600	236	ICR	Hwy. 20 frontage; within area of rural residential development.
Redband Road Tract Deschutes County T16S R11E S8 TL200	80	ICR	County road frontage; within area of rural residential development.
Alfalfa Market Road Tract Deschutes County T17S R14E S20 TL10800 T17S R14E S29 TL100 T17S R14E S28 TL2500	160	ICR	Zoned for rural residential development.
Ward Road Tract Deschutes County T18S R13E S16 TL500	39	ICR	Zoned for rural residential development.
Prineville Airport Tract Crook County T15S R15E S4/10 TL1100	320	ICR	In proximity to Prineville Airport and associated industrial development.
Millican Road Tract Crook County T15S R15E S14 TL2300	160	ICR	In proximity to Prineville Airport and associated industrial development.
Juniper Canyon Tract Crook County T15S R16E S36 TL2300	640	ICR	Near Prineville; zoned for rural residential development.
Davis Road Tract Crook County T15S R16E S 20 TL 1700	232	ICR	Rural development potential; include in Central Oregon SAMP.
Fort Rock Tract Lake County	30	Mineral	Gravel pit.
Crump Lake South Lake County T38S R24E S34,35	320	SS	NHA, includes open water.

Current Land Class	Acres	Reclassification	Rationale
Steens Mountain Summit Harney County T33S R33E S36	431	SS	NHA; no grazing permitted; communication site.
Total	3,288		
ICR Lands			
Klamath County T26E R15 E S16 TL2100	610	Agriculture	Under lease.
Clatsop County T8N R10W S24,25	36	SS	Astoria Wetland Mitigation Bank.
Total	646		
Special Stewardship Lands			
Lake Owyhee cabin sites Malheur County T24S R44E S16 TL200	160	ICR	Income-producing properties; not being managed for SS purposes.
Malheur County T18S R47E S34	57 Non-Trust	Agriculture	Snake R Island.
Malheur County T18S R47E S28	38 Non-Trust	Agriculture	Crow Island, Snake River.
Total	255		
Waterways			
Mott Island Clatsop County T8N R9W S1 TL600	120	SS	Undeveloped; no vehicle access.
Rice Island Clatsop County RM 20	200	SS	Caspian tern nesting site.
Knappa Slough Island Clatsop County T8N R7W S5,8	5	SS	NHA.
Lord & Walker Islands Columbia County RM 62	240	SS	Undeveloped; Columbia White-tail deer habitat.

Current Land Class	Acres	Reclassification	Rationale
Skull & Little Wallace Islands Columbia County T8N R4W S30 T8N R5W S35	29	SS	NHA.
Goat Island (aka Clackamette Island) Clackamas County T1N R4E S20,28,29	40	SS	NHA; proposed for designation as NHCA.
Simpson Reef/Cape Arago Coos County T26S R14W S18	40	SS	NHA; proposed for designation as NHCA.
Crook Point/Mack Reef Curry County T38S R14W S30,31	134	SS	NHA.
Humbug Mountain/Lookout Rock Curry County T33S R15W S23-26,35,36	1,000	SS	NHA; proposed for designation as NHCA.
Rogue Reef Curry County T36S R15W	800 (2)	SS	NHA; proposed for designation as NHCA; Territorial sea.
Yachats Lincoln County T14S R12W S27	160	SS	NHA; proposed for designation as NHCA.
Nestucca Bay Tillamook County T45S R10W S31-32 T55S R10W S5	400	SS	NHA; tidelands.
Piute Creek Lake County T40S R26E S25,26 T40S R27E S30-32 T41S R27E S6-7	1,300	SS	NHA.
Total	4,468		
Mineral & Energy Resources	No lands reclassified.		
TOTAL LANDS RECLASSIFIED	34,717		

Current Land Class	Acres	Reclassification	Rationale

Notes:
(1) Locations and brief descriptions of specific parcels are provided in Tables 6 – 12.
(2) Includes ocean between off-shore rocks.
NHA = Natural Heritage Area listed in Register of Natural Heritage Resources by Oregon Natural Heritage Plan.
NHCA = Natural Heritage Conservation Area, as designated by Oregon Natural Heritage Plan.

Appendix F. Resource Inventory

The Department will develop and maintain a resource inventory for all state-owned lands, particularly uplands, that provides basic information on a tax-lot basis and is included in the Department's Land Administration and GIS system. The level of detail may become more precise over time as data becomes available or as the need for precision changes. Information to be included in the Resource Inventory includes:

Factors	Descriptors
Tax lot #	
Street address	
Latitude/longitude	Center of tax lot
Acreage	
Current use	
Potential alternative uses	
Lease	#, annual revenue, expiration date
Easements, Other Authorizations	
Configuration	Blocked, isolated, shape
Access	Road type
Water	River, lake, stream, water right #, subsurface
Improvements	Type, condition, cost at installation, current value
Mineral Rights	Fee, split estate, mineral potential, past production
Site History	When/how acquired, cost, historic uses
Trust Status	Trust or Non-Trust
Adjacent Landowners	Public (tax lot numbers, agency contact info) Private (tax lots, owner contact info)
Vegetation	Type, % cover
Topography	Slope, aspect, elevation
Cultural Resource Features	Presence of archeological, cultural, historic resources Information source: inventory, SHPO reports, local government (Goal 5) inventory
Tribal ceded area	
Presence of Listed Species	Federally-listed species State-listed species Information source:
Fish and wildlife habitat type	
Estimated value	Last appraisal
Revenues	Annual revenues generated, most recent year
Site condition	
Rangeland condition (if applicable)	
Wetlands	Jurisdictional wetlands present/absent; wetland delineation status

Appendix G. Recommended Forest Lands for Disposal Evaluation

Table 1. Blocked Forest Lands for Disposal Evaluation - SE OR Region

REGION	COUNTY	LEGAL DESC.	ACREAGE	TOTAL PARCEL VOLUME (MBF)	VOLUME PER ACRE (MBF)	ESTIMATED VALUE	
						Low Value($)	High Value($)
SE OR	KLAMATH	32S7.5E22	478.14	4,182	8.75	$1,287,478	$1,541,708
	SUN PASS	32S7.5E23	641.34	1,108	1.73	$518,444	$590,898
	STATE FOREST	32S7.5E24	653.10	2,347	3.59	$891,917	$1,046,581
		32S7E19	109.23	370	3.39	$132,019	$154,075
		32S7.5E26	319.55	2,087	6.53	$671,735	$799,707
		32S7.5E25	482.23	2,043	4.24	$749,704	$884,156
		32S7E34	201.88	1,691	8.37	$548,420	$656,832
		33S7E4	320.75	6,188	19.29	$1,905,533	$2,307,601
		33S7E3	160.26	3,929	24.52	$1,182,100	$1,434,105
	Subtotal	SUN PASS	3,366.48	23,945		$7,887,350	$9,415,662
	KLAMATH	37S11E25	243.64	1,286	5.28	$441,477	$523,341
	YAINAX BUTTE	37S12E30	483.86	2,607	5.39	$846,308	$1,002,119
		37S12E29	639.66	4,212	6.59	$1,327,713	$1,580,117
		37S12E28	276.30	2,318	8.39	$722,507	$864,644
		37S12E31	162.60	684	4.21	$231,757	$272,419
		37S12E33	160.04	1,305	8.15	$403,526	$482,529
		37S12E32	81.18	98	1.20	$53,652	$60,162
		37S12E34	82.95	211	2.54	$84,837	$98,159
		38S12E5	120.20	147	1.22	$79,482	$89,132
		38S12E4	384.52	969	2.52	$402,122	$465,847
		38S12E3	244.72	677	2.77	$278,842	$324,492
		38S12E2	157.14	688	4.38	$255,624	$301,954
	Subtotal	YANAIX BUTTE	3,036.81	15,203		$5,127,846	$6,064,913
	Total SE OR		6,403	39,147		$13,015,196	$15,480,575

Table 2. Scattered Forest Lands for Disposal Evaluation - NW OR Region

REGION	COUNTY	LEGAL DESC.	ACREAGE	ADJACENT OWNERS	TOTAL PARCEL VOLUMEB(MBF)	VOLUME PER ACRE (MBF)	ESTIMATED VALUE	
							LOW	HIGH
NWOR	BENTON	32/13S/8W	161.10	Pri	1,549	9.62	$635,709	$ 759,077
	Subtotal	BENTON	161.10		1,549		$635,709	$759,077
	CLACKAMAS	36/2.5S/06E	63.03	BLM/FS	2,361	37.46	$871,270	$1,057,882
	Subtotal	CLACKAMAS	63.03		2,361		$871,270	$1,057,882
	CLATSOP	22/04N/10W	57.29	Pri	2,097	36.60	$443,202	$535,326
		23/04N/10W	140.70	Pri	2,059	14.63	$550,904	$657,694
	Subtotal	CLATSOP	197.99		4,156		$994,106	$1,193,020
	COLUMBIA	27/04N/04W	39.98	Pri	310	7.75	$131,680	$1,260,991
		08/05N/04W	38.43	Pri	295	7.68	$125,335	$148,917
	Subtotal	COLUMBIA	78.41		605		$257,015	$1,409,908
	YAMHILL	16/03S/06W	77.80	BLM/Pri	803	10.32	$322,348	$385,336
	Subtotal	YAMHILL	77.80		803		$322,348	$385,336
	Total NW OR		578.33		9,474.00		$3,080,448	$4,805,224

Table 3. Scattered Forest Lands for Disposal Evaluation - SW OR Region

REGION	COUNTY	LEGAL DESC.	ACREAGE	ADJACENT OWNERS	TOTAL PARCEL VOLUMEB(MBF)	VOLUME PER ACRE (MBF)	ESTIMATED VALUE	
							LOW	HIGH
SWOR	COOS	22/24S/13W	17.58	FS	-	-	$7,911	$ 7,911
		18/30S/13W	154.85	Pri/BLM	2,679	17.30	$1,469,583	$1,780,672
		36/31S/10W	613.32	Pri/FS/BLM	3,000	4.89	$1,854,480	$2,205,254
	Subtotal	COOS	785.75		5,679	7.23	$3,331,974	$3,993,837
	CURRY	21/31S/13W	76.72	Pri	528	6.88	$290,704	$351,468
		16/39S/13W	299.29	Pri/BLM	2,131	7.12	$305,618	$350,489
		16/32S/13W	229.61	FS/BLM/Pri	11,206	48.80	$5,864,576	$7,144,854
		36/34S/13W	641.92	FS/BLM/Pri	4,387	6.83	$1,462,614	$1,723,448
		16/41S/11W	554.48	FS	2,280	4.11	$1,422,272	$1,718,001

REGION	COUNTY	LEGAL DESC.	ACREAGE	ADJACENT OWNERS	TOTAL PARCEL VOLUMEB(MBF)	VOLUME PER ACRE (MBF)	ESTIMATED VALUE	
							LOW	HIGH
		16/41S/12W	216.57	Pri/FS/CA	12,810	59.15	$6,768,509	$8,264,681
	Subtotal	CURRY	2,018.59		33,342	16.52	$16,114,292	$19,552,940
	DOUGLAS	07/22S/12W	8.90	Pri	278	31.24	$ 110,242	$133,949
		12/22S/13W	106.80	State Park	4,317	40.42	$1,677,124	$2,040,324
		13/22S/13W	62.30	State Park	2,363	37.93	$947,193	$1,152,143
		06/23S/09W	157.00	BLM	932	5.94	$528,060	$ 631,452
		18/25S/04W	38.37	Pri/BLM	-	-	$15,348	$15,348
		16/25S/07W	46.45	Pri	739	15.91	$402,670	$488,024
		36/29S/07W	123.63	Pri/BLM	3,916	31.68	$2,093,384	$2,547,592
	Subtotal	DOUGLAS	543.45		12,545	23.08	$5,774,021	$7,008,831
	LANE	36/16S/03E	80.08	Pri	386	4.82	$194,655	$229,903
		01/16S/04E	32.47	FS	1,474	45.40	$290,682	$352,031
		02/16S/04E	69.78	FS	3,003	43.04	$1,234,698	$1,502,098
		12/18S/09W	164.83	Pri	6,500	39.43	$515,975	$614,154
		06/23S/02W	30.99	Pri/BLM	124	4.00	$60,110	$70,369
	Subtotal	LANE	378.15		11,487	30.38	$2,296,120	$2,768,554
	Total SW OR		2,396.74		44,829	18.70	$18,410,412	$22,321,494

Table 4. Scattered Forest Lands for Disposal Evaluation - SE OR Region

REGION	COUNTY	LEGAL DESC.	ACREAGE	ADJACENT OWNERS	TOTAL PARCEL VOLUMEB(MBF)	VOLUME PER ACRE (MBF)	ESTIMATED VALUE	
							LOW	HIGH
SEOR	DESCHUTES	05/14S/11E	40.24	BLM/Pri	196	4.87	$57,545	$80,281
		07/14S/11E	200.43	BLM/Pri	616	3.07	$203,040	$274,496
		08/14S/11E	120.62	BLM/Pri	-	-	$36,187	$36,187
		20/15S/10E	162.06	Pri	-	-	$48,618	$48,618
	Subtotal	DESCHUTES	523.35		812	1.55	$345,389	$439,581
	HARNEY	36/19S/31E	322.05	FS/Pri/BLM	1,485	4.61	$478,493	$677,483
		16/20S/29E	317.87	FS/Pri	802	2.52	$265,532	$358,564
		36/20S/30E	367.10	Pri	480	1.31	$220,415	$284,735

REGION	COUNTY	LEGAL DESC.	ACREAGE	ADJACENT OWNERS	TOTAL PARCEL VOLUMEB(MBF)	VOLUME PER ACRE (MBF)	ESTIMATED VALUE	
							LOW	HIGH
		36/21S/26E	314.87	BLM/Pri	-	-	$78,718	$78,718
		16/21S/33E	331.09	Pri/BLM	1,356	4.10	$446,181	$627,885
	Subtotal	HARNEY	1,652.98		4,123	2.49	$1,489,337	$2,027,383
	KLAMATH	27/37S/14E	122.86	Pri/FS	305	2.48	$107,363	$136,106
	Subtotal	KLAMATH	122.86		305	2.48	$107,363	$136,106
	Total SE OR		2,299		5,240	2.24	$1,942,089	$2,603,070

Table 5. Scattered Forest Lands for Disposal Evaluation - NE OR Region

REGION	COUNTY	LEGAL DESC.	ACREAGE	ADJACENT OWNERS	TOTAL PARCEL VOLUMEB(MBF)	VOLUME PER ACRE (MBF)	ESTIMATED VALUE	
							LOW	HIGH
NEOR	BAKER	27/09S/39E	41.71	Pri/FS	202	4.84	$50,020	$69,816
		36/11S/37E	79.01	Pri/BLM	269	3.40	$72,477	$98,839
	Subtotal	BAKER	120.72		471		$122,496	$168,654
	GRANT	16/09S/31E	442.69	Pri/FS	1,302	2.94	$365,865	$493,461
		16/12S/29E	640.85	Pri/FS/BLM	2,051	3.20	$562,209	$763,207
		16/12S/33E	42.49	Pri	280	6.59	$65,503	$92,943
		16/14S/26E	495.27	Pri/FS/BLM	2,449	4.94	$603,822	$843,824
		36/18S/26E	476.95	Pri/BLM	202	0.42	$158,830	$178,626
	Subtotal	GRANT	2,098.25		6,284		$1,756,227	$2,372,059
	HOOD RIVER	26/01N/9E	158.01	Pri	1,142	7.23	$332,716	$467,472
		06/01N/10E	153.00	Pri	2,031	13.27	$540,516	$780,174
		24/01N10E	40.00	Pri	1,223	30.58	$304,628	$340,707
		13/01N/10E	328.49	Pri	-	-	$131,396	$131,396
		30/02N/10E	30.00	Pri	-	-	$12,000	$12,000
		16/01S/10E	637.41	Pri/FS	455	0.71	$340,868	$383,820
	Subtotal	HOOD RIVER	1,346.91		4,851		$1,662,124	$2,115,569

REGION	COUNTY	LEGAL DESC.	ACREAGE	ADJACENT OWNERS	TOTAL PARCEL VOLUMEB(MBF)	VOLUME PER ACRE (MBF)	ESTIMATED VALUE	
							LOW	HIGH
	JEFFERSON	16/12S/11E	80.50	Pri/FS	237	2.94	$66,577	$89,803
	Subtotal	JEFFERSON	80.50		237		$66,577	$89,803
	MORROW	04/06S/25E	36.07	Pri	134	3.71	$35,282	$48,414
		16/06S/25E	41.66	Pri	108	2.59	$31,583	$42,167
	Subtotal	MORROW	77.73		242		$66,865	$90,581
	UMATILLA	36/04N/37E	161.26	Pri/FS	1,927	11.95	$286,971	$410,299
		36/01S/35E	136.86	Pri	521	3.81	$100,903	$134,247
	Subtotal	UMATILLA	298.12		2,448		$387,874	$544,546
	UNION	21/01S/38E	78.30	Pri/FS	745	9.51	$165,595	$238,605
		33/01S/38E	79.03	Pri/FS	470	5.95	$111,878	$157,938
		13/10S/39E	78.73	Pri	274	3.48	$73,387	$100,239
		36/01S/39E	79.95	Pri	812	10.16	$179,140	$258,716
		36/02S/24E	611.48	FS	3,737	6.11	$ 885,322	$1,251,548
	Subtotal	UNION	927.49		6,038		$1,415,321	$2,007,045
	WALLOWA	16/05N/42E	40.59	Pri/FS	786	19.36	$164,204	$241,232
		36/05N/42E	327.15	Pri/BLM	-	-	$ 81,788	$81,788
		36/05N/43E	237.20	Pri/FS	-	-	$59,300	$59,300
		16/01S/42E	156.43	FS	1,434	9.17	$320,172	$460,704
	Subtotal	WALLOWA	761.37		2,220		$625,463	$843,023
	WASCO	11,13,14/01S/11E	236.91	Pri	-	-	$59,228	$59,228
	Subtotal	WASCO	236.91		-		$ 59,228	$59,228
	WHEELER	16/08S/23E	114.17	Pri	-	-	$28,543	$28,543
		12/10S/23E	40.32	Pri	259	6.42	$71,204	$101,766
		23/10S/23E	40.98	Pri	222	5.42	$53,757	$75,513
		24/10S/23E	80.09	Pri	204	2.55	$46,135	$59,191
		19/10S/24E	79.68	Pri	247	3.10	$68,332	$ 92,538
		31/10S/24E	40.05	Pri	305	7.62	$81,993	$117,503
		36/10S/24E	79.96	Pri	-	-	$19,990	$19,990
		05/11S/23E	40.42	Pri	-	-	$10,105	$10,105

REGION	COUNTY	LEGAL DESC.	ACREAGE	ADJACENT OWNERS	TOTAL PARCEL VOLUMEB(MBF)	VOLUME PER ACRE (MBF)	ESTIMATED VALUE	
							LOW	HIGH
		27/12S/20E	77.61	Pri	622	8.01	$99,019	$138,827
	Subtotal	WHEELER	593.28		1,859		$479,075	$643,973
	Total NE OR		6,541.28		24,650		$6,641,248	$8,934,478

Appendix H. Bibliography

Agland Investment Services, Inc. 2000. *Trust Performance Measurement: A Report to Western States Land Commissioners Association*. December 15.

Farmvest, Inc. 1998. *Portfolio Strategy for the Nebraska Board of Educational Lands and Funds*. Howard M. Kaplan, CFA. January.

Kroft, Jeff. 2005. Memorandum. *Renewable Energy Opportunities on Land Managed by the Department of State Lands*. June 21, 2005.

O'Laughlin, Jay and Cook, Philip. 2001. *Endowment Fund Reform and Idaho's State Lands: Evaluating Financial Performance of Forest and Rangeland Assets.* Report No. 21, Idaho Forest, Wildlife and Range Policy Analysis Group, Idaho Forest, Wildlife and Range Experiment Station, University of Idaho. December.

Oregon Department of State Lands. 2004. *Sustainability Plan*. March, 2004.

____. 2004. *Royalty Examination Report From September 1, 3000 Through August 31, 2004 -- Eagle-Pitcher Minerals, Inc.*. Prepared by Bill Menius, Auditor. November 2004.

____. 2003. *Strategic Plan*. October, 2003.

Oregon Natural Heritage Program. 2003. *Oregon Natural Heritage Plan.* Department of State Lands. 2003.

Washington Department of Natural Resources. 2004. *State Trust Land Management: An Evaluation of Effectiveness and Efficiency*. A report from the Independent Review Committee to the Commissioner of Public Lands. December.

____. 2003. *Options For Increasing Revenues To The Trusts: Comparison of Returns From Investing In Real Property and In Permanent Funds.* Report to the Legislature. January.

PGP Valuation, Inc. 2005a. *Asset Management Plan – Revisions: Performance Valuation and Recommendations.* Prepared for Cogan Owens Cogan. November, 2005.

____. 2005b. *Volume 1 – ICR, Special Interest, Mineral and In-Lieu Lands.* Prepared for Cogan Owens Cogan. November, 2005.

____. 2005c. *Volume 2 – Forest, Agricultural and Rangelands.* Prepared for Cogan Owens Cogan. November, 2005.

____. 2005d. *Complete Appraisal – Summary Report: Division of State Lands Property – Stevens Road/Section II.* Prepared for Cogan Owens Cogan. March, 2005.

Appendices I-L. Maps of Key Plan Strategies

(to be added)

These maps identify, by quarters of the state, lands to be lands to be retained for long-term revenue generation, lands that are priorities for acquisition, lands that are priorities for evaluation for disposal, and lands with notable potential for appreciation in value through investment.

F:\Current Projects\0505 - DSL AMP II\0434 - AMP Update\Report\Working Draft 9 15 06 FINAL.doc