Oregon Department of State Lands

Real Estate Asset Management Plan

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

February 2012

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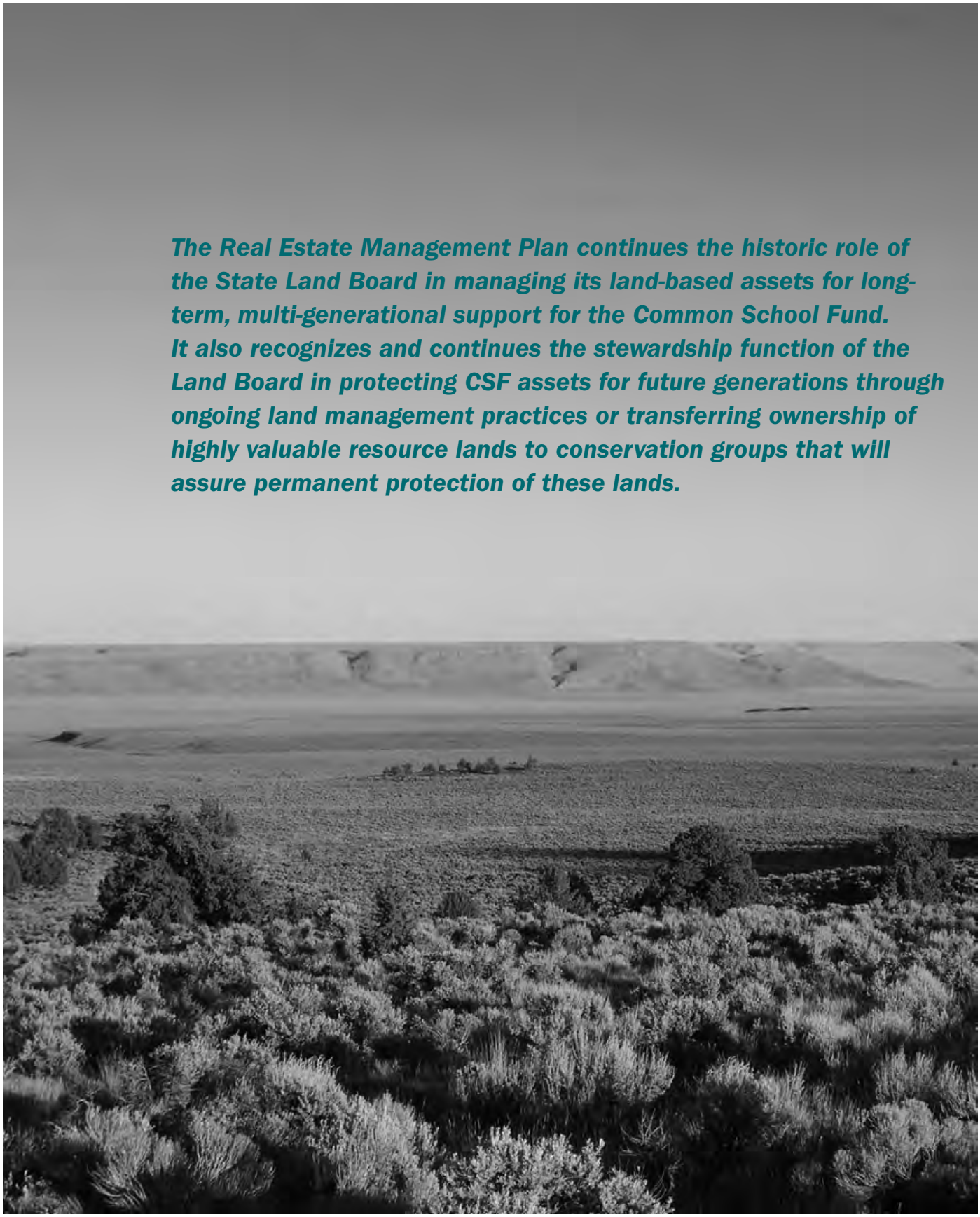


The Real Estate Management Plan continues the historic role of the State Land Board in managing its land-based assets for long-term, multi-generational support for the Common School Fund. It also recognizes and continues the stewardship function of the Land Board in protecting CSF assets for future generations through ongoing land management practices or transferring ownership of highly valuable resource lands to conservation groups that will assure permanent protection of these lands.

Executive Summary

This 2012 Real Estate Asset Management Plan (REAMP) replaces the 2006 Asset Management Plan for the Oregon Department of State Lands (DSL). The REAMP takes a different approach from the previous plan by being less specific on individual parcels owned by DSL, and rather, establishing a clear strategy and procedures to lead DSL to manage and reposition its real property portfolio.

The strategy in the REAMP focuses on disposing of lower-performing lands and acquiring higher- performing lands. The intent of the repositioning is to generate anticipated returns of income and appreciation that are in excess of the ten-year average return for the Common School Fund (CSF).

The REAMP continues the historic role of the State Land Board in managing its land-based assets for long-term, multi-generational support for the CSF. It also recognizes and continues the stewardship function of the Land Board in protecting CSF assets for future generations through ongoing land management practices or transferring ownership of highly valuable resource lands to conservation groups that will assure permanent protection of these lands.

The REAMP describes DSL's system of seven land classes. It provides and indicates the historic distribution of CSF funds to Oregon public schools. It also provides an estimate of the value of CSF lands, and identifies performance measurement tools to monitor the returns on those lands. These tools will provide benchmarks for evaluating the future success of the repositioning effort outlined in the REAMP.

The REAMP establishes management direction for CSF lands as well as statutory lands (e.g. waterways), and accomplishes the following:

- Provide a clear commitment to create a consistent and growing stream of revenue to increase annual distributions to schools.
- Recognize the need to balance revenue enhancement and resource stewardship.
- Rebalance the portfolio and create reinvestment capital through acquiring assets with high performance potential and strategically disposing of selected assets.
- Direct that rates for leases and other authorizations be reviewed and set at market values.
- Target investment in lands with demonstrated appreciation potential, most notably forestlands, agricultural lands, ICR lands and energy sites.
- Identify a new process to evaluate lands for sale and acquisition for highest and best use and for returns to the CSF.
- Assure that proposed investment in existing land assets will yield targeted returns on the investment.

Finally, the REAMP includes specific implementation actions that will be actively pursued over the ten- year life of the plan. These actions address land management activities to achieve the overall goal of increasing returns to the CSF through reinvestment in higher-performing properties, and by evaluating rules and processes to gain efficiency in how DSL staff can best implement the goals of the REAMP.

1. Introduction & Background

The State Land Board, through the Oregon Department of State Lands (Department or DSL), manages approximately 2.8 million acres of land and mineral rights owned by the State of Oregon, known as Common School Fund (CSF) lands. In 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. That AMP was replaced by the 2006 AMP. This 2012 Real Estate Asset Management Plan (REAMP) replaces the 2006 AMP. The overall purpose of the REAMP 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.

Purpose of the New Plan

The 2006 AMP has successfully guided the management of CSF lands for the past five years. 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. The 2006 AMP called for a revision mid-way through the ten-year plan to assure it remains up-to-date. Much has changed nationally and statewide since 2006, including a much weaker economy. The previous plan focused on acquiring properties in Central Oregon, a region that has recently experienced some of the worst economic declines in the state. As a result of this economic volatility, the new plan focuses less on identifying actions on specific properties, and instead provides a policy framework and analytical tools for managing real estate assets throughout Oregon. For these reasons, this plan is prepared as a new ten-year plan rather than a five-year revision to the 2006 AMP.

This new approach establishes a process to rebalance the portfolio by creating a means to evaluate existing returns on real property assets. The REAMP calls for a systematic evaluation of properties that is responsive to the market, rather than assuming actions ten years in advance. Additionally, it establishes more specific criteria for property acquisition, including returns on investment. The Oregon Investment Council (OIC) manages the corpus of the Common School Fund. Historically, returns on the fund have been about 7.5%. However, over the past ten years the return has been significantly lower (4.98%). The underlying philosophy the plan establishes is that new acquisitions should have a targeted return on investment (including increases in land value and net annual revenue) of 8%, but using the OIC average ten-year returns as a "rolling" benchmark.

Finally, the plan looks at existing rules and statutes to identify ways to make land disposal and acquisition more efficient, thus allowing greater responsiveness to market demands.

Goals for the Planning Period

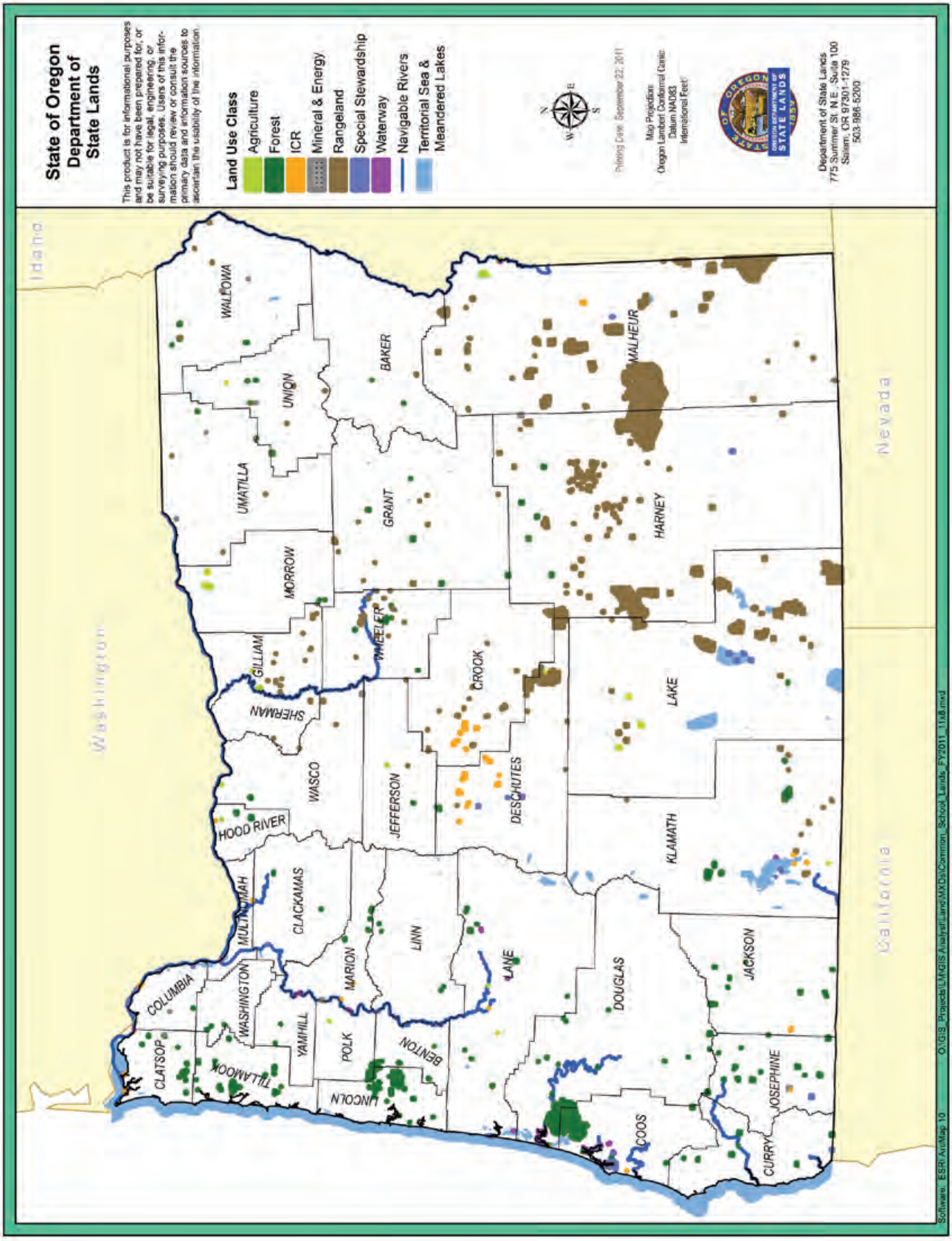
This Plan is intended to guide the management of CSF lands for the next ten years. The following goals are set for the planning period:

- Through active management, including capital investment and portfolio rebalancing, increase the overall value and revenue generation of the real property asset portion of the CSF portfolio;
- Through on-going evaluation, identify lower-performing lands for disposal with the intent of acquiring properties with a return that is equal to or better than the traditional returns of the Common School Fund;
- 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. The plan will be reviewed on a biennial basis to ensure it is meeting the Land Board's CSF management obligations.

History of CSF Land Management

The 1859 Oregon Admission Act granted to the state over 4 million 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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Land Use Class
Agriculture
Forest
ICR
Mineral & Energy
Rangeland
Special Stewardship
Waterway
Navigable Rivers
Territorial Sea &
Meandered Lakes
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MORROW
WHEELER
GILLIAM
CROOK
SHERMAN
LAKE
WASCO
JEFFERSON
DESCHUTES
HOOD RIVER
KLAMATH
MULTNOMAH
CLACKAMAS
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COLUMBIA
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"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-aged children. The intent was that the sale and/or management of these lands result in adequate funding for public education. 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 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. For greater detail on lands managed by DSL refer to the Agency website: www.oregonstatelands.us.

Trust and Non-Trust Lands

As trustee, the Land Board has a legal obligation to manage CSF lands for the maximum long-term benefit of Oregon 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. Nearly 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., DSL'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 current 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.

Non-Trust Lands

Non-Trust lands include navigable 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 revenue 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.

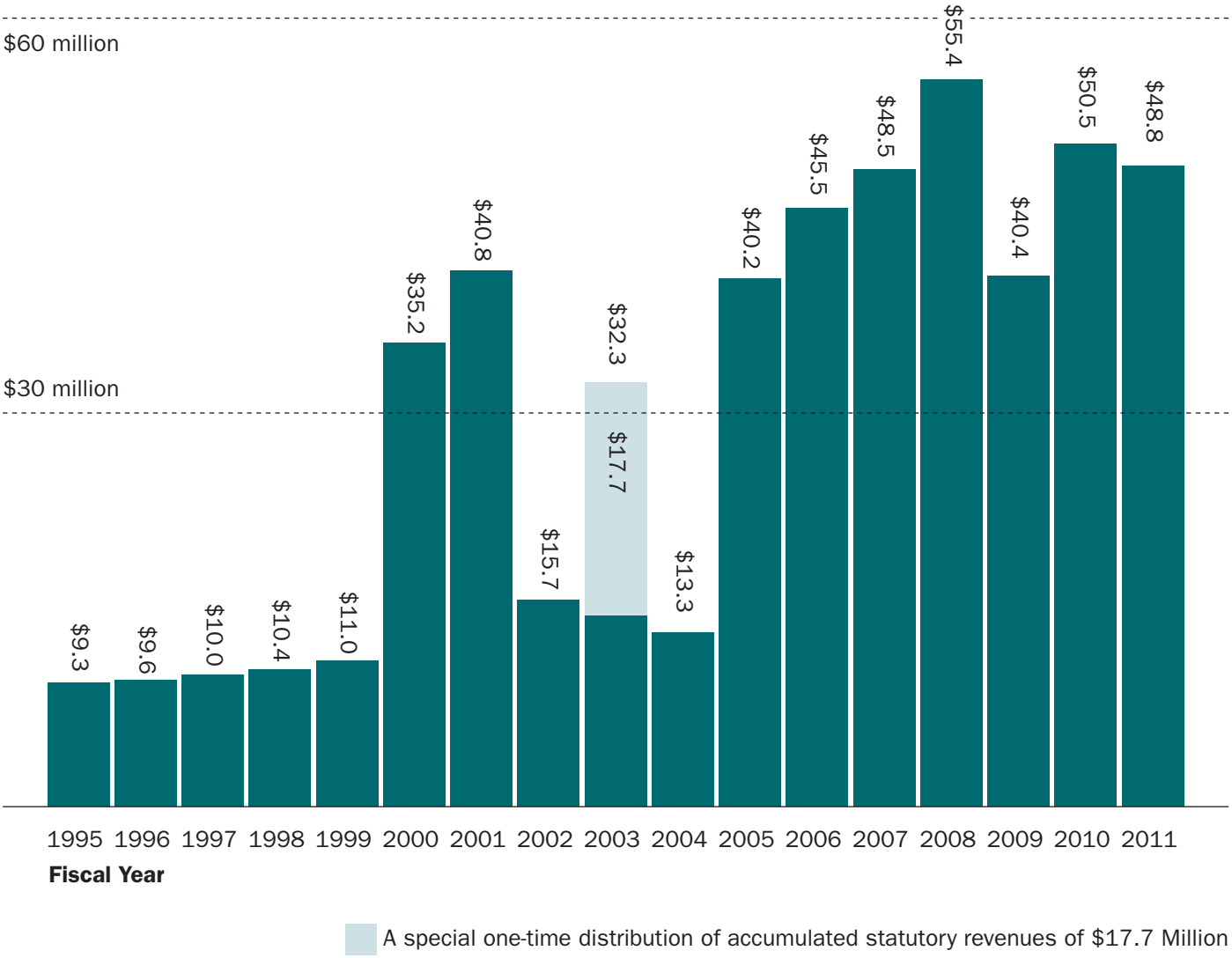
Legal Context

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).

Figure 2: Common School Fund Distributions, 1995 – 2011



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 their sale, lease or other use. As trustee for this land, the Land Board is 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 on next page).

Statutes

A variety of statutes guide the management of CSF lands, most importantly:

- ORS Chapter 196: 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. The opinion addresses the broad points below.

- 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.

The entire opinion is on the DSL asset management Web page: http://oregonstatelands.us/DSL/LW/asset_mgmt.shtml

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 addresses management of all the Land Board's real property 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.

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 and no known heir); earnings on unclaimed property held in the fund; 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. DSL forwards the investment earnings to the Oregon Department of Education, which then distributes them to the districts. Previously, the Land Board sent the funds to county treasurers who then distributed the monies to schools.

The distribution of earnings from the Common School Fund is based on a three-year average of the fund's value. In FY 2007, the Land Board adopted a distribution policy calling for a 4% distribution.

In 1871, the first distribution of $39,452 from CSF earnings was made, based on 34,055 school children, or $1.16 per student. In 1920, $432,267 was distributed based on 213,994 students, or $2.02 per student. In 2006, CSF receipts to Oregon's public school districts totaled $45.5 million; and in 2011, the distribution totaled $48.745 million, or $86.84 per student (561,378 students). A 16-year history of CSF distributions is illustrated in Figure 2 (see page 9).

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 of state lands which are not suitable for management according to long-range policies of the State Land Board." The funds in the account "…are continuously appropriated for the acquisition of lands or other suitable investments as directed by the Board, in consultation with the Oregon Investment Council." Allowable uses of the account include land acquisition and land improvements.

II. Land Classification

A key element of the REAMP is a system to classify the agency's lands in a meaningful way. DSL's Land Classification System of seven land classes distinguishes lands by suitability for both existing and potential uses, and as a tool to apply broad management principles to categories of lands. The system is used by the Department to categorize and manage state land based on the primary uses identified for each land class, and to report on annual revenue and authorizations by 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.

Current Asset Land Base by Class

The CSF's real property asset portfolio consists of approximately 2.8 million acres of forestlands, agricultural lands, rangelands, industrial/commercial/residential (ICR) lands, special stewardship lands, waterways, mineral and energy resources, and unclassified lands. Table 1 details the land distribution of this current asset base

Forestlands

All forestlands are Trust lands. Forestland is managed primarily to produce merchantable timber on a sustainable basis in accordance with plans adopted by the Land Board in cooperation with the Board of Forestry. DSL contracts with the Oregon Department of Forestry (ODF) to manage the majority of CSF forestlands – about 117,500 acres – referred to as certified forestlands. Most forested acreage is in the Elliott State Forest (about 85,000 acres) located 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 forestlands in northwest and southwest Oregon (about 26,000 acres), including lands within the Clatsop, Tillamook and Santiam state forests. Management planning for Land Board and Board of Forestry lands are integrated within each ODF administrative unit or planning area. Approximately 12,030 acres that DSL directly manages are referred to as de-certified forestlands (see Glossary).

Agricultural Lands

Approximately 5,800 acres are classified as agricultural lands. 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, etc.) for the production of all types of agricultural commodities.

Rangelands

DSL manages approximately 625,000 acres of rangelands located primarily in central and eastern Oregon (Deschutes, 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.

DSL administered 139 active forage leases in FY 2010. Of these, 44 are leases on large blocked parcels of more than 1,000 acres each. The remainder is approximately 95 smaller parcels. Other uses found on rangeland include communication site leases and easements. Recently, alternative energy uses are being investigated, including a solar display near Christmas Valley and a wind energy project in the Stockade Block. DSL is actively pursuing other alternative energy sites, and potential conversion to agricultural land, where feasible.

Industrial/Commercial/ Residential (ICR) Lands

Approximately 7,000 acres are managed as ICR Lands. Such land is typically in or near an urban area and zoned, or has the strong potential for being 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 may include land designated as urban reserve or within urban unincorporated communities.

Table 1: Asset Inventory, January 2012

Land Classification	Total Acres	% of Total CSF Lands
Forestlands	129,530	4.60
Agricultural Lands	5,860	0.21
Rangelands	625,510	22.24
ICR lands	7,010	0.25
Special Stewardship Lands	11,005	0.39
Waterways	1,260,000	44.79
Mineral and Energy Resources[1]	774,110	27.52
Totals	**2,813,025**	**100**

The CSF's real property asset portfolio consists of approximately 2.8 million acres of forestlands, agricultural lands, rangelands, industrial/commercial/residential (ICR) lands, special stewardship lands, waterways, mineral and energy resources, and unclassified lands. Table 1 details the land distribution of this current asset base

Note

1 The mineral resource acres indicated above occur in "split estates" in which DSL owns the mineral rights but not the land surface associated with those rights. In addition to this acreage, DSL also manages 410,000 acres of mineral rights underlying DSL land (which are included in other land asset classes) and 2.1 million acres of mineral rights underlying surface acreage owned by other state agencies such as the Department of Forestry.

Special Stewardship Lands

These lands are managed primarily to ensure the protection of scenic, natural resource, cultural, educational and recreation values. This class may include both Trust and Non-Trust lands. The majority of lands classified as special stewardship are CSF lands managed by and currently designated by the Oregon Department of Forestry as special stewardship lands. These lands are generally managed for uses other than income production, e.g. aquatic and riparian habitat, threatened and endangered species, or visual quality.

The South Slough National Estuarine Research Reserve was the first reserve designated under the National Estuarine Sanctuary Program. Under this program, healthy estuarine ecosystems that typify different regions of the country 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 management plan guides the work of the Reserve. Administrative operations are overseen 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 1,260,000 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.

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. 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, which are navigable by statute) 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

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, such as 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 - Glossary - for a definition of mineral resources.)

The Department is responsible for the management, leasing and sale of state-owned mineral rights on approximately 3 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 774,000 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 DSL land (which are included in other real property 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.

Energy Resources

Energy resources include solar, geothermal, hydropower, wave energy, and wind energy sites. To date, hydropower resources have been developed on state land and lands are currently leased in Eastern Oregon for solar and geothermal energy projects that could result in significant revenue to the CSF. Investigations are also underway for wind and ocean wave energy projects.

III. Valuation and Performance

A key goal of the REAMP is to increase revenues from CSF real property assets. Current information on land values and performance is essential for 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 sell.

A. Current Valuation and Performance

Revenues are generated from CSF real property assets through a variety of business activities or authorizations, including timber sales, grazing leases, rental of space in the Department's office building, natural gas royalties, 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. An estimate of the total value of all DSL lands is included in Table 2. The estimate is based on broad averages (e.g. all western Oregon DSL forestland sales over the past three years) and should be seen only as a comparative base and should not be used as an actual value indicator for any specific parcels.

Procedures and systems for evaluating the financial performance of public lands are constantly evolving. No universal or widely accepted financial performance indicator is available for each land class. Return on Asset Value (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.). The 2010 values and ROAV show comparative returns by land class, and are shown in Table 2.

This plan takes an approach to identifying lands for sale and purchase that is significantly different from the 2006 AMP. However, the following findings, primarily taken from the 2006 AMP, remain pertinent for the revised 2012 REAMP:

- The CSF is receiving a positive net cash flow from its real property assets.
- Forestlands have historically and currently generate the majority of the Department's real property asset revenues. Any improvements in efficiency or other revenue enhancement measures for forestlands 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. Agricultural lands perform substantially better than rangelands, and generally perform better than forestlands. Conversion from rangeland to agricultural lands where feasible is a viable means of enhancing CSF revenues.
- Rangelands historically and currently have the poorest revenue-generation performance among the actively managed lands within the CSF portfolio. 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 in recent years and is substantially higher than the grazing fee on federal lands.
- The ROAV for ICR lands is about in the midpoint of land classes, although ICR values have increased more than fivefold since the 2006 AMP. This value increase is far below potential returns, because of entitlement delays (e.g., urban growth boundary inclusion and annexation of South Redmond and Stevens Road Tracts) or unfavorable market conditions (e.g., Forked Horn Butte and Ward Road Subdivisions) hampering final development and/or sale.
- Although waterways are managed principally for purposes of maintaining public trust value, revenue generation is also an important consideration. Waterway leases typically are the second greatest source of land management revenue to the CSF.
- Special stewardship lands are managed primarily for the protection of resource, cultural, educational and recreation values; minimal revenue generation is expected from these lands.
- Mineral and energy resources represent significant future revenue generation potential.

Table 2: Market Value and Performance by Land Class (2011)

Land Classification	Total Acres	Approximate Market Value (millions)	% of Total Market Value	Net Operating Income (NOI)	% of Total NOI	Return on Asset Value (ROAV)
Forestlands	119,770	$325.5–359.0[1]	57–62%	$4,126,413	66.3%	1.2–1.3%%
Agricultural Lands	5,860	$13.4–13.9[2]	2.3–2.4%	$165,092	2.7%	1.2%
Rangelands	625,510	$109.5–125.1[1]	21–22%	$112,862	1.8%	0.09–0.1%
ICR lands	7,010	$69.3–72.3[3]	12–12.6%	$506,762	8.2%	0.7%
Special Stewardship Lands	10,000	[4]	[4]	($49,797)	-0.8%	[4]
Waterways	1,260,000	[4]	[4]	$1,271,562	20.4%	[4]
Mineral and Energy Resources	774,410	[4]	[4]	$88,979	1.4%	[4]
Totals	2,802,260	$517.7–570.3	100%	$6,221,873	100%	1.09-1.2%

Notes:
1 Based on recent average sale values.
2 Based on USDA average agricultural land values for Oregon.
3 Individual parcel values based on recent land sales.
4 Adequate data not available.

B. Performance Measures

A key REAMP element is establishing performance measures and targets for the CSF's real property assets as a means of measuring progress toward meeting the plan's goals. Evaluating the financial performance of public lands is a constantly evolving process of balancing a wide range of financial, environmental and social factors. No universal financial performance indicator is available that is useful for the type of portfolio represented by CSF lands. Given the unique character of CSF lands, a variety of measures and targets may be considered in measuring the performance of the overall CSF real property asset portfolio. Four separate measures are used by the Department to measure performance: Return on Asset Value (ROAV); Net Operating Income (NOI); Annual Revenue (AR); and Land Value Appreciation (LVA). These measures will assist in the evaluation of lands for potential sale and the evaluation of lands for potential purchase.

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. ROAV is not a particularly useful measure unless a good benchmark has been established: i.e. an appraised value that can be periodically updated with accurate information in order to identify increases in land value. ROAV is a good tool when the benchmark is valid (e.g. land purchased by the Department) and it can be tracked over time.

Net Operating Income (NOI)

NOI 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.

Total Annual Revenue (AR)

AR, expressed in dollars or as a percentage, measures only the income obtained from management of the CSF's real property assets. Using this measure, the Department calculates the change in AR on an annual basis. One of the Department's Key Performance Measures reads: Increase in Revenues from Land Management Activities - Percent increase in revenues generated by all Land Management activities, exclusive of timber harvest receipts.

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. Land value will be carefully tracked on properties that have a good benchmark (see ROAV discussion above). Only broad estimates of land value will be made on properties without a good benchmark.

Performance Targets for Acquired Or Converted Property

For property to be acquired through purchase, or if significant investment in existing properties is being evaluated, the goal is to achieve a reasonable rate of return. Because acquired lands are added to the CSF real property asset portfolio, performance targets have historically been set at higher levels than those for existing assets. This REAMP establishes a performance target for a ROAV at 5% or above (approximately equal to the ten-year returns by the Oregon Investment Council of 4.98%) with a working goal of achieving 8% or above, measured as the combined appreciation in asset value and the net property revenue. These targets will be applied to investment in existing properties (e.g. conversion of rangeland to agricultural land) and to new land acquisitions.

IV. Management Direction

This section describes the overall policy direction and management principles guiding the management of the CSF's real property assets. This management direction provides the framework for implementing 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.

- Provide a clear commitment to create a consistent and growing stream of revenue to increase annual distributions to schools.
- Recognize the need to balance revenue enhancement and resource stewardship.
- Rebalance the portfolio by strategically disposing of selected assets and acquiring assets with high performance potential.
- Direct that rates for leases and other authorizations be reviewed and set at fair market values.
- Target investment in lands with demonstrated revenue potential, most notably agricultural lands, ICR lands and energy sites.
- Identify a new process to evaluate lands for sale and acquisition for highest and best use and returns to the CSF.
- Assure that proposed investment in existing land assets will yield targeted returns on investment.

A. General Management Principles

The following reflects the overall management direction for the CSF's real property 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 this plan is to increase the contributions of the real estate 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 property asset portfolio tend to be more consistent from year to year than revenues from investments in stocks and bonds. Thus, management of the real property asset portfolio to create a sustainable and growing 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. Land managed by the Land Board and Department contains many resources, including those that can be used 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. It anticipates opportunities to combine these objectives: specifically, selling or exchanging resource stewardship land to conservation groups or public agencies that would ensure the land's long-term protection.

4. Consistent with the legacy of the Admission Act, the Land Board will maintain a real property asset portfolio of CSF lands. The allocation of land among land classifications may change over time based on 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 before 1900. Since the 1960s, the Land Board has had a strong policy of retaining its Trust land base. This Plan emphasizes increased return on investment and gives conscious direction towards the sale of lands with a lower return potential and to the purchase of lands with a significantly higher return potential. While this emphasis is expected to reduce DSL's overall acreage ownership, it is also intended to increase returns on CSF lands. Financial performance takes a more significant role in this plan than in previous plans.

5. The Land Board and Department will actively strive to increase the total annual revenues from the real property asset 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 this plan is to increase the overall revenue from the Land Board's real property assets by disposing of lower performing lands and investing in higher performing lands. Disposal processes (transfer, exchange and sale) are identified 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. The Land Board and Department will undertake opportunity-driven land acquisitions and sales.

This plan takes a new approach to evaluating land for acquisition and sale. It is proposed that over time, all land parcels will be evaluated and considered for retention or sale. Property acquisitions will be targeted to those properties that, through a combined asset appreciation rate and on-going net revenue production, meet or exceed the most recent ten-year returns to the CSF. Additionally, some lands in the portfolio should be managed specifically to be attractive for eventual sale, e.g., lands within or adjacent to UGBs (i.e. Stevens Rd. and South Redmond Tracts), or rural residential land.

7. All lands will be evaluated before selling, issuing a new authorization or completing a transaction, according to the criteria outlined in Appendix C.

Divesting in lower performing lands and reinvesting in higher-performing lands, is a key objective of this plan. It is important to keep this objective in the forefront when considering authorizations. This principle will cause only a routine review for some authorizations (e.g. renewal of a dock permit), but will necessitate a more in-depth, highest and best use evaluation for other types of authorizations (e.g. issuing a new, long-term land lease).

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 poorly performing parcels and adoption of new administrative rules, will be further analyzed and developed during the ongoing implementation phase of the plan. The plan also seeks to streamline decision-making processes through administrative rule revisions.

B. Principles for Land Administration

1. Trust lands will be managed with the overriding objective of maximizing revenues over the long term for the CSF while conserving the value of the land consistent with Trust law.
2. The Department will maintain a resource inventory for state-owned lands within its jurisdiction that provides basic information on a tax-lot basis and is included in the Department's land administration and GIS systems. The resource inventory's level of detail may become more precise over time as data become available or as the need for precision changes.
3. The Land Board and Department may enter into partnership agreements with other government entities

and private and public organizations to help achieve asset management goals. Local, state and federal agencies and public interests with knowledge and expertise in land and waterway management will be consulted as the plan is implemented. The Department may develop specific area asset plans for definable geographic areas and/or for specific resources (e.g., waterway areas). Previously prepared plans were highly detailed documents prepared for the Stockade Block in Southeastern Oregon, and for Central Oregon. It is currently envisioned to conduct the property level analyses similar to the two previous plans on an area-wide basis, but not to include the analysis in a formal document as was done for the previous initiatives. In other words, this plan develops criteria to evaluate properties on a case-by-case basis which will be targeted within an area, but will not take on the general format of the previous plans. This approach will not sacrifice any information, but will streamline and simplify the evaluation and implementation processes. Two areas in Eastern Oregon have a concentration of CSF parcels that are appropriate for this level of analysis: 1) the area near Burns, and 2) the North Central area generally consisting of Wheeler, Grant, Sherman, Gilliam and Morrow Counties. The Department will hold public hearings in these regions as the asset plans are prepared, and will specifically identify any properties that are proposed for disposal.

C. Principles for Land Management and Leasing

1. The Land Board establishes the basis for determining 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.

2. New lease applications, except those involving waterway or mineral uses, will be evaluated under the highest and best use criteria in Appendix C. New leases will be offered through processes identified in administrative rules. For waterways, upland owner preference rights will be recognized; when they are not exercised, competitive bidding may be used. 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.

3. When cost-effective, the Department may engage the private sector or other public agencies as property and lease managers and real estate brokers.

4. The Department will not limit public recreation on state lands when compatible with asset management 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 and/or archeological resources, soils, water quality, plants and animals; and to meet other land management objectives or lease terms.

5. 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.

6. In evaluating lands for investment, acquisition or disposal, the long-term potential for development of water and mineral resources will be considered.

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

Land Development

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 may invest capital in improvements to the extent 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 performing lands.

4. The Department may invest in joint partnerships or fee ownership, e.g., in commercial office buildings or energy facilities.

5. In accordance with ORS 273.413, Trust land sale proceeds in the Land 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 higher-performing lands and land with the potential for higher performance. These lands may include, but are not limited to, the following:

- Elliott State Forest and higher-performing forestlands;
- Agricultural lands;
- Leased rangelands and rangelands with development potential for mineral or energy production or agricultural conversion;
- DSL's office building and certain ICR lands in or adjacent to urban areas;
- 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 or identified potential energy resources.

Acquisition (Purchase or Exchange)

7. 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 to consistently generate revenue over the long term for the CSF. Priorities for acquisition during the planning period include:

- Purchase of developed ICR lands in or adjacent to metropolitan areas that meet the targeted return rate identified in this REAMP, or the expectation of planned development in the near future;
- Purchase of highly productive forest and agricultural lands; and
- Exchanges or purchases involving surplus lands managed by other state agencies, e.g., ODOT and OPRD.

8. 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). ICR properties considered for acquisition will be evaluated in accordance with the acquisition criteria included in Appendix B, in addition to the criteria in Appendix C and the following criteria. Other properties will be evaluated according to the following criteria:

- Operating Budget: Anticipated annual management costs can be borne by the Department's current budget or revenues anticipated within a reasonable time following acquisition;
- Returns: The property is projected to meet or exceed the targeted returns identified in the REAMP;
- Local Government Coordination and Support: Coordination with local governments has occurred in concurrence with the Department's State Agency Coordination Agreement and the level of local government (e.g., city, county, school district) support for the acquisition will be assessed;
- 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 goals); and
- Due Diligence: Before 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)

9. 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 or through master plans to maximize investments; to respond to market-driven opportunities; for lands not meeting management expectations or providing substandard returns on investment; for lands better managed by another entity; and for other public purposes (e.g., highway rights-of-way or conservation).

10. 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, and contaminated sites.

11. 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 for revenue enhancement; and/or has external constraints to managing for highest and best use;
- Parcel management and/or holding 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;
- Parcel is an in-holding within another major ownership, or is a small, isolated tract.

12. Before 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

13. 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.

E. 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. The Department will actively seek to sell special stewardship lands to entities that will assure the long-term conservation of the land and will provide revenue to meet the Department's Trust obligations.

2. The Department, with assistance from the Natural Areas Program and other natural resource agencies, will identify areas with special natural features that may be eligible for recognition by the Natural Areas 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, in coordination with the State Historic Preservation Office and appropriate Tribes, 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.

F. Principles for Sustainability

CSF lands will be managed in accordance with the following six sustainability themes identified in the Department's Sustainability Plan (December, 2008):

- Managing CSF lands to provide sustainable funding to K-12 public schools;
- Managing DSL buildings and equipment efficiently and minimizing transportation costs associated with energy generation and transportation;
- Communicating the message concerning DSL's sustainable management practices and increasing public outreach to assure public knowledge of DSL's programs;
- Sustaining and maintaining DSL lands for current and future generations;
- Maintaining an efficient and high quality staff to manage DSL's assets; and
- Utilizing sustainable development practices for all new land development activities on DSL lands.

V. Implementation

The implementation strategies detailed in this section are intended to guide the Department's work for the duration of this plan. These strategies will be periodically re-evaluated, 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.

This section describes four broad categories of land assets. Implementation strategies follow the categories, and each implementation strategy refers to the category or categories which are applicable. Some strategies will overlap categories, while others will be unique. Rather than detailed actions, these strategies are intended to provide general direction to staff over the life of the plan (2012-2022)

General Implementation Categories

1. Long-Term Potential

This category defines those properties that may or already have the strong potential to produce revenue over the long term. Examples include alternative energy production and mineral resources, and some rural residential properties. This category includes rulemaking to expedite alternative energy production.

2. Near-Term Potential

This category includes those properties which have the strong potential to produce revenue over the near term, defined as approximately five years or less, depending on market conditions. Examples include properties within or adjacent to an Urban Growth Boundary, some residential properties, agricultural land conversions and leasing rangelands. This category would also include management activities that would make the Department's efforts more efficient. An example would include rulemaking to expedite implementation of the REAMP.

3. Current Income Production

This category includes those properties that produce annual revenue for the CSF. The prime example in this category is the Elliott State Forest. Strategies in this category relate to greater management efficiencies.

4. Minimal/No Income Production

This category includes those properties that produce little or no annual income, and have a low likelihood of producing future income. Examples include some unleased rangelands and commercially non-viable forestlands and some unleased/undeveloped ICR lands. This category also includes special stewardship properties that are held by DSL for conservation purposes.

General Implementation Strategies

1. Complete a performance analysis for ICR lands and mineral and energy resources 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 property assets. However, valuation and performance information for these land classes is currently very limited, yet is needed for the Department to more accurately assess and monitor their performance. It is particularly important to track the performance of newly acquired ICR properties. **Categories 1 and 2.**

2. Complete in-lieu selections of federal land owed to the state.

Completion of these selections will satisfy a 1991 court decision that the State of Oregon was owed approximately 5,200 acres of federal public domain lands since admission into the Union. Since the 1991 decision, the Department has completed selection and transfer of lands in Deschutes, Crook and Jackson counties. Approximately 1,600 acres remain for acquisition. These in-lieu land selections are subject to a separate BLM process that is not expected to be completed for the next few years. Land classifications and management strategies for the selected lands will be subsequently developed. **Category 2.**

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

Several ICR parcels located within rural and urban areas have short/medium-term development or leasing potential, e.g., Ward Road, Stevens Road, and South Tongue Point. The market at the time of preparation of this Plan is not conducive to development or sale of ICR properties, which are located primarily in Central Oregon. The ability of DSL to wait for market conditions to improve in the future allows this time to pass without significant costs, other than entitlement work to prepare for future development or sale. **Category 2.**

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

Among the issues to evaluate are the application process, appraisal requirements, and Department of Administrative Services' role in certification of rules. An example is the requirement to conduct a formal appraisal on sales of low value parcels, which would cost a significant portion of the total parcel value. DSL staff have the capability to conduct a less formal appraisal in-house, thus saving significant costs. **Category 2.**

5. Revise administrative rules governing the exploration for and leasing and sales 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 and leases. **Category 1.**

6. Manage resource lands to ensure long-term health and increasing revenues.

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. Revenue generation activities on special stewardship lands will generally be permitted only if they do not adversely impact the resource. The use of some special stewardship lands should also be considered for wetland mitigation banks in order to generate revenues from the sale of mitigation credits. Special Stewardship properties should be periodically evaluated for opportunities to transfer ownership to groups that will ensure the long-term conservation of the property. **Category 4.**

7. Manage Industrial/Commercial/Residential (ICR) and other lands according to specific investment criteria and guidelines.

Appendix B contains specific guidelines for acquiring ICR lands for non-resource uses (e.g., industrial, commercial and/or residential development). Investment guidelines identify properties, by type, that are in excellent shape with a sound tenant base and are good candidates for long-term ownership. The criteria include avoiding properties with environmental hazards unless mitigation expenses can be absorbed through a market rate-of-return by developing the property. **Category 2.**

8. Hold land sales periodically for lower-performing property that meets the criteria in the REAMP.

This program will actively pursue identification of lower-performing lands for disposal after evaluation under the criteria in Appendix C. The area asset plans identified in the REAMP will assist this analysis of rangeland in Eastern Oregon, and an overall ranking of all DSL-owned forestland (excluding the Elliott State Forest) will assist the analysis of forestland throughout Oregon. Initially only very low and low quality forest parcels will be targeted for disposal. Forestlands will be evaluated on factors such as soil productivity, size/configuration, access, and cost of harvest. **Category 4.**

9. Continually strive to increase efficiencies in managing existing income-producing properties.

Department staff will monitor existing income-producing properties to increase NOI and ROAV. Techniques to be evaluated include automated lease management; contracting out for property management activities in cases where existing costs exceed costs available in the private sector (assuming equal or better quality of management); and increasing rents and other fees to market levels. **Category 3.**

Implementation Outcomes

This Real Estate Asset Management Plan is intended to be a 10-year plan that is periodically reviewed and updated. The primary purpose of the REAMP is to increase the amount of revenue generated by the Department's land-based assets and their contributions to the Common School Fund. Following are the anticipated outcomes of REAMP implementation:

- A balanced approach to revenue enhancement and resource stewardship.
- A consistent and growing sustained stream of revenue from the CSF to schools.
- A more aggressively managed portfolio, including evaluation of all lands, with a focus on ICR and agricultural lands and mineral and energy resources to generate new revenues.
- A regular land sales program to dispose of lower-performing parcels.
- A rebalanced portfolio through acquisition of assets with high performance potential and the strategic disposal of selected non- or lower performing assets.
- Fair market rates for leases and other authorizations.
- Specific guidelines for property acquisition and detailed criteria to enable a consistent analysis of potential lands for sale.
- Investment standards that help determine the value of proposed land acquisitions and capital improvements.
- Strategic investment/reinvestment in ICR and other higher performing lands to increase land values and CSF revenues over the ten-year life of the REAMP.
- Increased revenues through rents on acquired property and increases in leases, easements and other authorizations.

Appendix A. Glossary

Agricultural Lands Lands managed for the production of agricultural commodities.

AMP Asset Management 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 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. Generally the total contiguous area is 640 acres or greater.

BOF Oregon Board of Forestry.

Certified Forestlands Forestlands managed by ODF for DSL.

CSF Common School Fund.

CSFL Common School Forestland. Trust forestlands.

De-certified Forestlands Forestlands 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.

Forestlands Lands managed primarily to produce merchantable timber for periodic harvest and sale according to a specific plan developed by forest managers.

Industrial/Commercial/Residential (ICR) Lands 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.

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 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 Areas Program of significant natural areas, voluntarily managed in ways that protect one or more natural heritage resources.

Performance Targets Goals for return on asset value to be achieved during the planning period.

Plan This 2011 Asset Management Plan; replaces 2006 AMP.

Planning Period Ten years (2012 – 2022), the anticipated life of the REAMP 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 Areas 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 forestland not contiguous to other DSL or ODF forestlands.

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 Common School Fund.

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. General Acquisition

Real Estate Investment Guidelines

	Office	Industrial	Flex	Retail	Mixed Use	Land
Type	Masonry, wood frame or attractive concrete tilt Low and mid rise	Concrete tilt Bulk distribution Front & rear loaded Full height dock Manufacturing	Concrete tilt with minimum 3 per 1,000 parking and grade level roll-up doors	Masonry, wood frame or attractive concrete tilt Grocery anchor preferred	Masonry, wood frame or attractive concrete tilt Grocery anchor preferred	Long-term ground leases
Location	Portland Metro, Bend, Salem, Eugene, Medford/ Ashland, Corvallis	Portland Metro, Bend, Salem, Eugene, Medford/ Ashland, Corvallis	Portland Metro, Bend, Salem, Eugene, Medford/ Ashland, Corvallis	Portland Metro, Bend, Salem, Eugene, Medford/ Ashland, Corvallis	Portland Metro, Salem, Eugene, Corvallis, Bend	Portland Metro, Bend, Salem, Eugene, Medford/ Ashland, Corvallis
Quality	Core Value Add A&B, Historic	Core A&B	Core Value Add A&B	Core Value Add A&B	Core Value Add A&B	Stabilized Value Add
Preferred size	25,000 SF	70,000 – 125,000 SF	50,000 SF	16,000 SF	25,000 SF	Urban – 20,000 SF Suburban – 90,000 SF Rural – 225,000 SF
Occupancy preference	75-100% Single or Multi-Tenant Institutional	100% Single Tenant 80 – 100% if Multi-Tenant Institutional	75-100% Multi-Tenant Institutional	75-100% Multi-Tenant	75-100%	N/A
Will not consider	Less than 50% occupancy	Vacant owner user buildings, metal buildings	Less than 75% occupancy	Free standing pads, restaurants	Less than market rate	Tmber lands or uplands
Joint venture	Considered	Considered	Considered	Considered	Considered	Considered

Risk analysis

1) Cap rate (NOI – Net Operating Income)
2) Target 8% (ROI – Return on Investment), including appreciation (ref. point)
3) Vacancy rate (specific property, market & sub-market)
4) Market condition (unfavorable conditions, over holding period); economic growth
5) Tenant credit and track record; potential default
6) Age/quality of construction
7) Competitive operating costs
8) Tenant term analysis – staggered; 10-year plus
9) Inflation rate (market rate annual increases)
10) Sustainability; LEED and Energy Star
11) Multi-modal, transit-oriented locations preferred
12) Exit strategy considerations

Real Estate Investment Guidelines

	Office	Retail
General criteria	Strong preference for efficient low- or mid-rise office buildings with on-site parking.	Strong preference for neighborhood grocery anchor.
Tenant type	Strong preference for credit-oriented rent roll, high-grade, multi-tenant buildings.	Prefer national or regional credit tenants with in line local and regional credit tenants. Cohesive tenant mix is important.
Lease term	Core: ± 5 year average Value add: ± 3 year average	Core: 7-10 year average Value add: ± 3-5 year average
Location	CBD – markets listed above	Suburban or urban markets listed above
Physical amenities	**Construction:** Class A or B; masonry, wood frame or attractive concrete tilt **Design Type**: Modern office with functional floor plates with competitive market-based load factor (prefer 16% or less) **Ceiling height:** 9 ft. minimum **Parking:** Market standard ratio – minimum 3 per 1,000 SF **Office Finish:** Preference for typical, standard building finish-out **Preferred Amenities:** • Modern elevator banks (multi-story) and common areas • Efficient floor plates • Compliant sprinkler/life safety • On-site parking • ADA compliant • Mass transit • Dual pane glass **Minimum Size:** • 10,000 SF • $2,000,000	**Construction:** Class A or B; masonry, wood frame or attractive concrete tilt **Design Type:** Maximum 120 ft. bay depth and minimum 30 ft. storefront with up-to-date tenant storefront signage and monument signage. Must have good truck accessibility for rear loading. **Ceiling height:** 12 ft. minimum **Parking:** Minimum 5 per 1,000 SF **Office Finish:** Preference for typical, standard building finish-out **Preferred Amenities:** • Street visibility • Easy ingress/egress • Compliant sprinkler/life safety • On-site parking required • ADA compliant • Mass transit • Bike parking • Ample, energy-efficient parking lot lighting **Minimum Size:** • 8,000 SF • $2,000,000
Risk	Prefer stabilized properties with staggered lease rollover. No environmental or seismic problems.	Prefer stabilized properties with staggered lease rollover. No environmental or seismic problems.
Appearance /age	Attractive and competitive Class A or B facilities, not more than 20 years old (excluding substantial renovations or opportunistic assets).	Attractive and competitive Class A or B facilities, not more than 20 years old (excluding substantial renovations or opportunistic assets).

Real Estate Investment Guidelines

	Industrial	Flex
Tenant type	Prefer credit oriented rent roll, high-grade institutional quality single assets. Preference given to industrial park setting.	Prefer staggered rent roll – 3-5 year lease terms. Preference given to office park setting.
Lease term	7+ years / single tenant; 3-5 year average term / multi-tenant	7+ years / single tenant; 3-5 year average term / multi-tenant
Location	In a path of the flow of goods via airports, trucking, rail and seaport networks. Area must have an efficient infrastructure and multiple interstate highways or significant transportation corridors. Metro areas multi-tenant; flexible single-tenant.	Areas with significant economic generators. Area must have an efficient infrastructure. Job infrastructure is important.
Physical amenities – preferences	**Construction:** Concrete tilt-up; pre-cast preferred **Design Type:** Modern front, rear, or cross-docked bulk distribution facilities **Loading:** Dock high; strong preference for seals and levelers **Bay Depth:** 150 ft. to 300 ft. deep (double of cross-docked or rail served) **Clear ceiling height:** 22 ft. + **Parking Ratio:** Minimum 1.5/1,000 **Office Finish:** 5-10% preferred **Site Coverage:** Less than 50% **Amenities:** • ESFR sprinkler system • Large concrete truck courts or HD asphalt • Additional trailer parking • ADA compliant • Concrete pads • Skylights/sidelights • Expansion land • No environmental issues **Minimum Size:** • 40,000 SF • $2,000,000	**Construction:** Concrete tilt-up, masonry, or pre-cast **Design Type:** Modern light industrial; preference for multi-tenant **Loading:** Dock/semi-dock/grade level **Bay Depth:** 100 ft. to 200 ft. deep **Clear ceiling height:** 16-24 ft. **Parking Ratio:** 2.5/1,000 or greater **Office Finish:** 70% or less **Site Coverage:** Less than 50% **Amenities:** • Code compliant sprinkler system • Attractive landscaping • ADA compliant • Signage • NNN leases **Minimum Size:** • 20,000 SF • $2,000,000
Risk	1) Cap rate (NOI – Net Operating Income) 2) Target 8% (ROI – Return on Investment) 3) Vacancy rate (specific property, market & sub-market) 4) Market condition (unfavorable conditions, over holding period) 5) Tenant credit and track record; potential default 6) Age/quality of construction 7) Competitive operating costs 8) Tenant term analysis – staggered; 10-year plus	1) Cap rate (NOI – Net Operating Income) 2) Target 8% (ROI – Return on Investment) 3) Vacancy rate (specific property, market & sub-market) 4) Market condition (unfavorable conditions, over holding period) 5) Tenant credit and track record; potential default 6) Age/quality of construction 7) Competitive operating costs 8) Tenant term analysis – staggered; 10-year plus

Real Estate Investment Guidelines

	Industrial	Flex
Risk	9) Inflation rate (market rate annual increases) 10) Sustainability; LEED and Energy Star 11) Multi-modal, transit-oriented locations preferred	9) Inflation rate (market rate annual increases) 10) Sustainability; LEED and Energy Star 11) Multi-modal, transit-oriented locations preferred
Appearance /age	Facility should function as a competitive generic distribution building and be not more than 25 years old (excluding renovations).	Facility should function as a competitive generic building and be not more than 25 years old (excluding renovations).

	Mixed use	Land
Tenant type	Single- or multi-tenant	Single-tenant ground lease; future development.
Lease term	10-year+ lease term; staggered	10-year+ lease term, developable within 24 months.
Location	Portland Metro, Salem, Eugene, Corvallis, Bend	Portland Metro, Bend, Salem, Eugene, Medford/ Ashland core area; path of future development.
Physical amenities – preferences	Construction: Class A or B; masonry, wood frame, or attractive concrete tilt. Grocery anchor preferred. Minimum Size: • 10,000 SF • Preferred size 25,000 SF	• Entitlements in place • Water/sewer/gas/electric • Incorporated land • Regular topography • No or minimal easements • No environmental issues unless Brownfield • Zoning allowing future development • Minimal impact fees Minimum Size: • 15 acres
Risk	1) Cap rate (NOI – Net Operating Income) 2) Target 8% (ROI – Return on Investment) 3) Vacancy rate (specific property, market & sub-market) 4) Market condition (unfavorable conditions, over holding period) 5) Tenant credit and track record; potential default 6) Age/quality of construction 7) Competitive operating costs 8) Tenant term analysis – staggered; 10-year plus 9) Inflation rate (market rate annual increases) 10) Sustainability; LEED and Energy Star 11) Multi-modal, transit-oriented locations preferred	1) Cap rate (NOI – Net Operating Income) 2) Target 8% (ROI – Return on Investment) 3) Vacancy rate (specific property, market & sub-market) 4) Market condition (unfavorable conditions, over holding period) 5) Tenant credit and track record; potential default 6) Age/quality of construction 7) Competitive operating costs 8) Tenant term analysis – staggered; 10-year plus 9) Inflation rate (market rate annual increases) 10) Sustainability; LEED and Energy Star 11) Multi-modal, transit-oriented locations preferred
Appearance /age	Attractive and competitive Class A or B facilities, not more than 30 years old.	• Flat land • Identify entitlements in place • No environmental issues on land lease

Appendix C. Land Evaluation Criteria

The following general land evaluation criteria are to be applied to CSF lands to identify the best candidates to sell or trade. DSL will develop internal forms that address these criteria at a detailed level. These general criteria are in addition to the land-class-specific criteria. Guidelines for ICR properties are included in Appendix B.

Universal Land Evaluation Criteria

- Projected Return on Asset Value (ROAV), as defined in the REAMP.
- Feasibility Study - Anticipated use of property; analysis of anticipated demand within area market; and opportunity costs (does buying or holding the property exceed the opportunity cost of having its projected ROAV in the Common School Fund investment corpus?).
- Rate of Return - Analysis of options for property: hold, sell, invest to improve property, anticipated holding period, risk involved.
- Comparison of property to other similar properties within the region.
- Shape and/or size of property: is it adequate for use? Are there size or shape use constraints?
- Access and availability of utilities.
- Liability issues that could increase risk, e.g., environmental (T&E species, site contamination), unstable bedrock or soils (landslide/slope failure), adjacent residential use, other.
- Current income generating potential.
- Topography.
- Site maintenance and management costs.
- In-holding in larger parcel/proximity to other managed parcels and staffing.
- Changes in use or zoning that are not compatible with goal of generating revenue for the Common School Fund.

Specific Land-Class Criteria

Agricultural Land

- What farming activity is considered desirable and economically feasible within the region?
- Soil class as per Soil Survey Manual.
- Water availability and requirements to obtain water.
- Will the configuration or topography of the tract interfere with its agricultural use?
- What crops can be grown?
- Projected lease Income?

Forestland

- Soil Class/Site Index.
- Size of Parcel.
- Logging System/Haul Distance (including road/bridge building).
- Configuration of parcel/liability issues/ environmental issues.

Rangeland

- Soil class.
- Size of parcel.
- Configuration of parcel/available water/ fencing/quality of grazing.
- How many Animal Unit Months/acre does the land support?
- Are there DSL-owned parcels nearby for ease of management or appeal in grazing?
- Potential for conversion to, or addition of, higher revenue producing use(s), including but not limited to agricultural conversion, alternative energy sources, communication sites, etc.

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