



COLORADO STATE BOARD OF LAND COMMISSIONERS  
1127 Sherman Street, Denver, CO 80203  
PUBLIC MEETING AGENDA

Thursday, March 15, 2018

8:00 AM - 1:00 PM

I. WORKSHOP - None

II. CALL MEETING TO ORDER

Roll Call - Determination of Quorum

G. Moffet

III. EXECUTIVE SESSION \*

- |  |        |            |
|--|--------|------------|
| A. Legal Matter(s) (§24-6-402(3)(a)(II)&(III), C.R.S.) -   | 60 min | E. Hamrick |
| 1. Litigation Update   |        |            |
| a. CWH Properties LLC v. State of Colorado,<br>Case No. 15CV30061, Routt County District Court   | Tab 1  |            |
| 2. Legal Advice Concerning Specific Claims and Legal Questions<br>about Oil and Gas Lease 107363 | Tab 2  | E. Hamrick |
| <br>B. Property Matter(s) (§24-6-402(3)(a)(I), C.R.S.)   |        |            |
| 1. Non-simultaneous Exchange - Disposition -<br>Jackson County                                   | Tab 3  | G. Ochis   |

IV. MEETING

- |   |        |            |            |
|---|--------|------------|------------|
| A. Open Public Comment Period for Non-agenda Items  | 05 min | G. Moffet  |            |
| B. Announcements  | 05 min | B. Ryan    |            |
| C. Dept. of Natural Resources - Exec Director's Report  | 10 min | G. Brannon |            |
| D. Business to Come Before the Board  |        |            |            |
| 1. Information Item(s)  |        |            |            |
| a. Staff Report   | Tab 4  | 10 min     | B. Ryan    |
| 2. Request for Review   |        |            |            |
| a. Lease Termination Oil and Gas Lease 107363   | Tab 5  | 60 min     | C. Koranda |
| 3. Final Action   |        |            |            |
| a. In Lieu Lands - I&D Fund Request   | Tab 6  | 20 min     | C. Smith   |
| b. Oil and Gas Lease 106450, 106451, 106445, &<br>106630: 7th-year Extension - Longs Peak<br>Resources, LLC | Tab 7  | 15 min     | C. Stitt   |

**PLEASE NOTE THAT TIMES LISTED ARE APPROXIMATE**

*This Agenda may be amended prior to the meeting, as allowed by law. The most current agenda will be posted on the Board's website at <http://www.colorado.gov/statelandboard>.*

*\* According to § 24-6-402, C.R.S., discussions in Executive Session are not open to the public. Prior to voting to go into Executive Session, the Board will declare the topic(s) of the Executive Session pursuant to § 24-6-402, C.R.S. It is anticipated that any marked (†) agenda items will be discussed in Executive Session and acted on by the Board at this meeting. Any action taken by the Board will occur in regular session, open to the public.*



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c. Crow Hill I&D Request; Park County	Tab 8	15 min	J. Majors J. Osborne
d. Bronco Pipeline Right-of-way - Lowry; Arapahoe County	Tab 9	10 min	D. Rodenberg
e. Policy Review - 600-002 Commercial Leasing Policy; Statewide	Tab 10	15 min	J. Majors
f. Cropland Leasing Policy Revisions; Statewide	Tab 11	10 min	M. Pollart
g. Board Leasing Agenda - March 2018; Statewide	Tab 12	10 min	A. Hawthorne
h. Minutes - Board Meeting - February 2018	Tab 13	05 min	G. Moffet

V. CONFIRMATION HEARING

1. Three Commissioners to appear before the Senate Agriculture and Natural Resources Committee

*We encourage members of the public to turn in any written comments about agenda items at least one week prior to the public meeting. Comments are to be sent to the State Land Board: 1127 Sherman Street, Suite 300, Denver, CO 80203. In accordance with the Americans with Disabilities Act, persons needing auxiliary communicative aids and services for these meetings may call 303.866.3454, providing at least five (5) working days' notice.*

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COLORADO  
STATE BOARD OF LAND COMMISSIONERS

03.15.2018 | FINAL ACTION

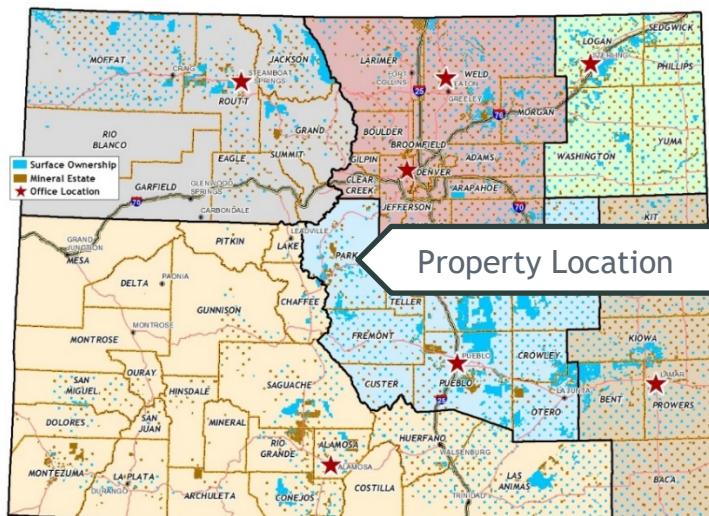
TOPIC .....	Crow Hill Investment and Development Fund Request
STRATEGIC PLAN.....	Supporting Strategic Goal 1.3 - Preserve and enhance the value of the trust's assets.
COUNTY .....	Park County
PROJECT MANAGER/S.....	Julie Majors, Real Estate Portfolio Agent Courtney Hurst, South Central District Resource Specialist

Lease No.	Type	Lessee	Annual Rent	Acres	Exp. Date
109675	OT	Colorado State Forest	\$0	223	7/1/2031
108712	REC	Park County Ball Field	\$1,224	3.4	5/7/2019
109954	OT	Coalition for the Upper South Platte	\$2,400	5.0	11/5/2020

## SUMMARY

The State Land Board staff (Staff) recommends the State Board of Land Commissioners (Board) approve the use of up to \$90,000 from the Investment and Development (I&D) Maintenance Fund in order to remove deteriorated structures from 223.54 acres of undeveloped state trust land at Crow Hill in Park County, Colorado (Figure 1).

Figure 1: Property Location Map



## BACKGROUND

The property is part of an original Section 16 held in the School Trust. It is located directly southeast of U.S. Highway 285 approximately 45 miles southwest of Denver (Figure 2). Improvements on the property include a small house, a large barn, and five outbuildings (Figure 3). All of the improvements are in very poor condition.

Figure 2: Crow Hill Property Location

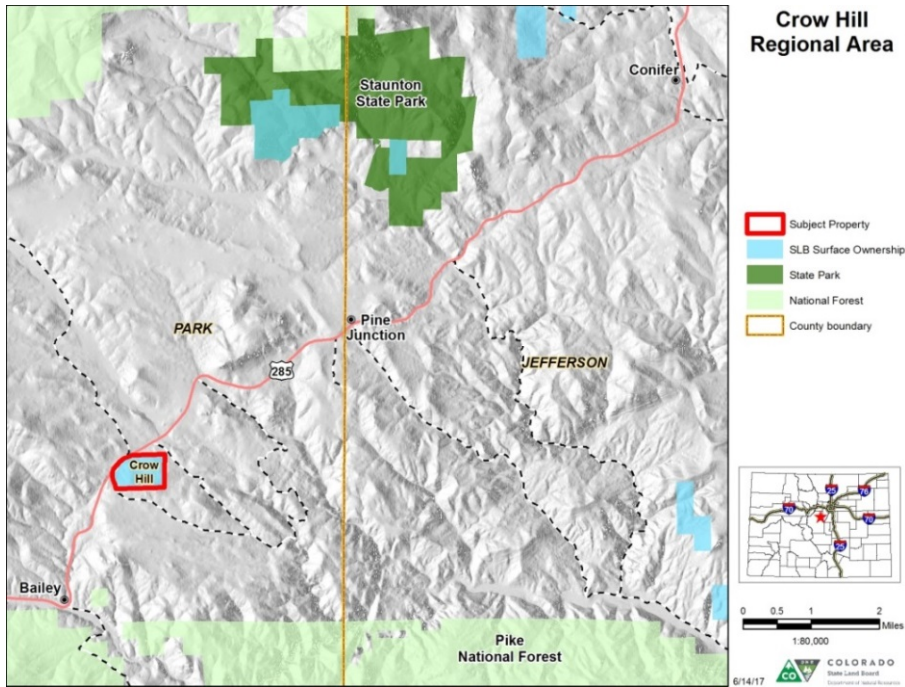


Figure 3: Existing Improvements



A lease for agriculture grazing existed until 2016, but expired without a renewal when it was determined that the perimeter fencing was in poor repair and an investment of approximately \$10,000 would be required to build new fence. The annual grazing lease payment was only \$560.00 per year.

The existing structures on the property are both conspicuously located at the entrance to the property and no longer useable. Staff believes the structures present an attractive nuisance and carry a risk of injury to Staff, lessees or trespassers. Regular vandalism and graffiti tagging occurs on the buildings.

An asset plan (**Exhibit 1**) prepared by Staff in 2017 reached the following conclusions:

1. The existing buildings may have historic significance according to a Culturally Significant Resource Review by Park County Department of Heritage and Tourism. However, there is not enough evidence of historic significance to prevent demolition of the structures. Staff received correspondence from Park County indicating a willingness to approve a demolition permit.
2. The property generates less than a 1 percent annual dividend from lease income. There are few opportunities to increase income from leasing the property.
3. The value of the property has increased 9.2 percent per year over the previous eight years.
4. The residential density allowed under current zoning may not be feasible for development until the County extends water service nearer to the site.
5. The property is best suited for a disposition at the appropriate time in the future.
6. Removing the existing dilapidated structures will minimize the State Land Board's liability and improve the marketability of the property.

#### RECOMMENDATION FORMULATION

Because the structures contain asbestos, a licensed abatement contractor must remove the asbestos prior to demolition of the structures. Staff obtained bids from three contractors who have the qualifications and experience to abate the asbestos and demolish all of the structures. The lowest proposal was \$82,000.

Staff recommends that the Board approve a project budget of up to \$90,000 in case issues arise during the demolition process.

An update to the Investment & Development Fund is provided as **Exhibit 2**.

#### RECOMMENDATION

Staff recommends the Board approve \$90,000 from the I&D Fund Maintenance Fund to demolish the structures at the Crow Hill property to reduce the liability associated with the attractive nuisance, trespassing, and tagging. The basis for this recommendation is the Crow Hill Asset Plan and the receipt of contractor bids for demolition of the structures located at the property.

- END OF MEMORANDUM -

Exhibit 1: Crow Hill Asset Plan

Exhibit 2: Investment & Development Fund Status Memo



To: Chris Smith, Real Estate Section Manager

From: Julie Majors, Real Estate Specialist V

Date: November 28, 2017

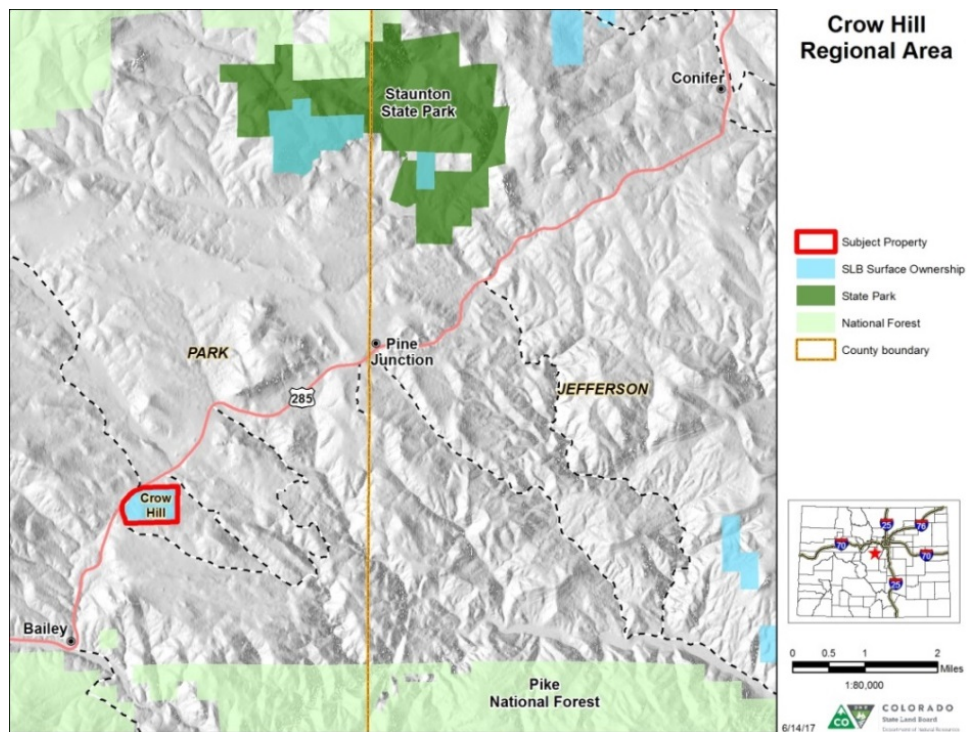
Re: Crow Hill Asset Plan

This asset management plan (Plan) is for state trust land commonly referred to as “Crow Hill” and located in Park County Colorado. The Plan presents an overview of the history, existing conditions, opportunities and proposed management strategies/actions associated with the property. The Plan provides a framework for achieving the State Land Board vision for the property. The Plan sets priorities and enables the State Land Board to adapt to changing financial, environmental and social conditions.

### Crow Hill Property

The State Land Board owns 223.54 acres of undeveloped property in Park County, Colorado (County) between the towns of Pine Junction and Bailey (Figure 1). The property is part of an original section 16 held in the School Trust. The property is directly southeast of US Highway 285 approximately 45 miles southwest of Denver and managed by the South Central District office.

Figure 1: Crow Hill Location and Context



The property has two points of access off US Highway 285, one north and another one south (Figure 2).

Figure 2: Property Access



Small commercial businesses and residential neighborhoods surround the property on the northeast, northwest, and south sides. The south boundary of the property abuts a residential neighborhood known as Burland Ranch that consists of home sites from one to ten acres in size. The land east of Crow Hill includes residential lots in varying sizes (Figures 3).

Figure 3: Adjacent Uses



Figure 4 shows photos of the surrounding commercial property.

Figure 4: Photographs of Existing Adjacent Uses



View looking northeast



View looking northwest

### History

The Crow Hill property is part of the original 1876 Federal land grant for both the surface and mineral estate.

A Culturally Significant Resource Review completed by the Park County Department of Heritage, Tourism and Community Development in 2016 provides the following information.

The State Land Board has leased the property to tenants since the late 19th century. The property has served various uses through the 20th century, which includes a ranch, dairy farm, machine shop, and livestock grazing. The original patent book for Park County shows that the land was set aside as a school section and thus owned by the state. This distinction appears not to have been clear to some of the early settlers in the Platte Canyon. An 1892 map showing the South Platte Forest Reserves indicates that Robert Sylvester Kelso occupied the land.

Harold Warren, in the *History of the 285 Corridor*, states that Kelso came to Crow Hill in 1870, before the land in Platte Canyon had been surveyed, and homesteaded at the top of the hill. Milo's daughter, Ivy Kelso McGuire, gave an oral interview in which she stated that Kelso was not aware that the family home was located in the school section. Once this was apparent, the family paid a small lease fee, rather than leave the property. In addition to the homestead, Kelso built a school on the property in 1871 and served as the teacher there. While never definitively substantiated by historic records, the now demolished Crow Hill School in use in the 1880s has been suggested by Warren to be the same school Kelso built in 1871.

After Robert's death, his widow, Charlotte, married Charles Nelson, a neighboring rancher. The two continued to lease the land at Crow Hill until 1900 when the couple



moved to Denver for their health. The Fairplay Flume reports that the homestead was leased to Mr. Wise of Grant, Colorado. Later in 1901, the Flume reported that the house built by Kelso had burned, resulting in the destruction of the earliest structure on the property.

Records from the Colorado Land Office suggest that J. Simcoke built a house on the property in 1910. It is unclear how long this house stood at Crow Hill. The land was leased by Edward (Posey) Lamping and his wife Sarah (Sadie) in 1913. The Flume reports that Posey Lamping's father purchased the couple a two-story, eight-room log home shortly after they moved to Crow Hill. A 1989 Flume article states that the Lamping family leased a total of 320 acres at Crow Hill, where they lived for 33 years.

Oral testimony from Art Hall, a Platte Canyon resident, suggests that the eight-room log cabin burned down sometime in the 1930s and that the Lamping family built the house currently on the property shortly thereafter. This corresponds with County records that indicate the current house on the property was built in 1930.

According to recent conversations with long-time residents of Platte Canyon, the Wolfe family took control of the property after the Lamping family sometime in the late 1940s and used the land as a dairy farm.

In 1973, William Harper took control of the lease at Crow Hill, adding the majority of the structures currently on the property, including the barn and three additional shed outbuildings. According to the Colorado Land Office and Park County Assessor records, the barn was constructed in 1974, and the shed outbuildings were all constructed between 1974 and 1987.



*Existing Barn and House on Crow Hill Property*

### Existing Improvements

The existing failing structures on the site are no longer useable and conspicuously located at the entrance to the property. Staff believes they also present a nuisance and carry a risk of injury to lessees or trespassers. The buildings have been vandalized, tagged with graffiti and should be demolished. It has been determined that prior to demolition, a contractor must remove asbestos in the structures. Staff obtained proposals to remove the buildings from the site from multiple contractors in 2016. The least expensive proposal is \$82,000, and includes the asbestos removal.

A wire fence securing the property is in poor condition and needs repairing to have any value to an agriculture lessee. The estimate to repair the fence is \$10,000.

### Existing Leases

There are three leases on the property. The Colorado State Forest Service (CSFS) manages the timber resources on the property. Park County leases a baseball field located next to Hwy 285, and the Coalition for the Upper South Platte leases a small area for dirt and compost storage. Summarized below is additional information regarding the specific conditions associated with each of those leases (Figure 5).

Figure 5: Current Leases

Lease Number	Type	Lessee	Use	Annual Rent	Acres	Termination Date
109675	OT	CSFS	Timber	\$0.00	223	7/1/2031
108712	REC	Park County	Baseball Field	\$1,224	3.4	5/7/2019
109954	OT	Coalition for the Upper South Platte	Dirt Storage	\$2,400	5	11/5/2020

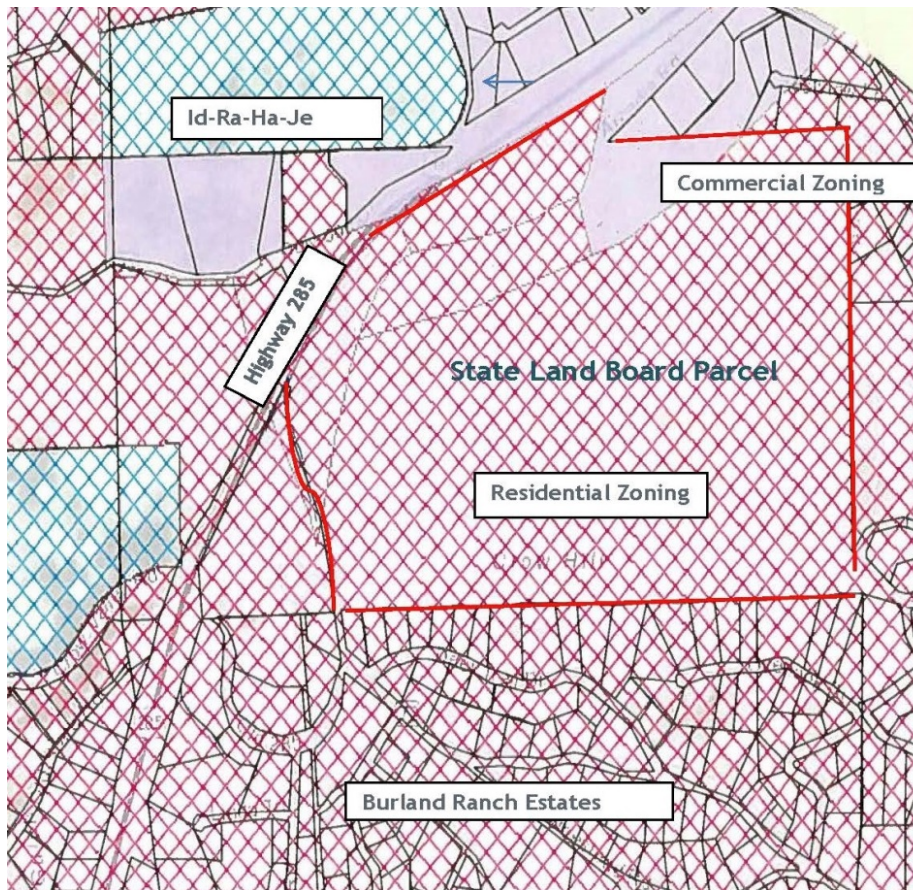
### Land Use Zoning

The zoning on the Crow Hill property currently allows for a combination of Commercial (5 acres) and Residential (218.5 acres) development (Figure 6). A description of these designations are the following:

*Commercial:* The purpose of the Commercial Zone District is to provide for commercial and service business in areas designated as appropriate for such activity by the strategic master plan.

*Residential:* The purpose of the Residential Zone District is to provide for residential neighborhoods comprised of detached, single-family dwellings at a relatively low density (an average of one unit per five acres).

Figure 6: Park County Zoning Map



Recent discussions with Park County planning staff suggest that the County has a limited inventory of affordable home options and that there may be support for a higher density residential development on the Crow Hill site in order to meet that need. County staff also pointed out that if the State Land Board does not use the site for grazing for more than two years, grazing will no longer be a legal use under the existing residential zoning designation. The expiration date of the last grazing lease was March of 2016.

#### Financial Performance and Value

Over the past eight years, the annual income from leases on the property has been quite low, between \$560 and \$4,184 per year (Figure 7).

Figure 7: Summary of Annual Rent

	2010	2011	2012	2013	2014	2015	2016	2017
Net Agricultural Revenue	\$0	\$600	\$560	\$560	\$575	\$560	\$0	\$0
Other:								
Mineral	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Recreation	\$0	\$0	\$0	\$100	\$1,224	\$1,224	\$1,224	\$1,224
Dirt Storage	\$0	\$0	\$0	\$0	\$0	\$2,400	\$2,400	\$0
Total Other	\$0	\$0	\$0	\$100	\$1,224	\$3,624	\$3,624	\$1,224
Total Annual Net Revenue	\$0	\$600	\$560	\$660	\$1,799	\$4,184	\$3,624	\$1,224

Prior State Land Board lessees maintained the existing agriculture improvements; therefore, the State Land Board has made no investment in the maintenance, repair, or replacement of the improvements on the property.

An appraisal completed in 2010 indicated a value of \$4,791 per acre or \$1,070,848, assuming the existing zoning. In June 2017, Staff hired the same appraiser to complete an updated appraisal on the property. The appraisal included information regarding general trends in Park County which indicated:

- from 2014 to 2015 the population in Park County grew 2.13%
- a similar level of growth is expected to continue for several years
- the number of residential sales increased 61% between 2012 and 2016
- the median sale price of residential properties increased by 48% between 2012 and 2016 from \$186,000 to \$275,000.

The 2017 appraisal indicates that the property increased in value by more than 73% over the past eight years, an annual increase of approximately 9.2% (Figure 8).

Figure 8: 2017 Appraisal Results

Commercial Acreage	Commercial Value	Residential Acreage	Residential Value	Total	Overall Price per Acre
5	\$325,000	218.5	\$1,530,000	\$1,855,000	\$8,301

Using the preceding data, the State Land Board's investment return (IRR) over the past eight years is 8.29%. The return is primarily the result of the increase in the value of the property (Figure 9).



Figure 9: Financial Return

Item	Estimated Value
2010 Appraisal	\$1,070,848
Net Cash Flow over 8 years	\$12,651
Capital Improvements - None	\$0
Sales Price based on the 2017 value	\$1,855,000
<i>IRR for holding term</i>	8.29%

Using the average income per year divided by the current value, the property is not generating even a 1% annual return (or dividend).

#### Opportunities Assessment

##### *Ecological Condition and Stewardship Trust Designation*

The Stewardship Trust is a special management designation placed by the State Land Board on state trust lands containing the highest natural values of beauty, open space, wildlife habitat, rare plants, geologic features and/or paleontological and historic features.

The State Land Board Conservation Services Manager surveyed the site. The Crow Hill property is in very good ecological condition, with a good variety of native plants, no noxious weeds or weedy native species noted, little bare ground, and evidence of several species of birds and mammals.

The property is a mosaic of open grassy meadows, a few rocky outcrops, and rolling slopes with



healthy stands of Ponderosa pine intermixed with aspen. While the subject property provides stunning views, aspen groves, and meadows, it does not contain features that would make it a candidate for enrollment in the Stewardship Trust.

### *Historic Designation of Existing Structures*

The Park County Department of Heritage, Tourism & Community Development recommends that the house, shed, outbuildings, and outhouse be retained due to historical significance, although the County has expressed no interest in owning the structures.

It is possible that to complete a sale, a prospective purchaser will view the buildings as liabilities and effectively take the cost of asbestos remediation and demolition into account when considering the purchase price. If the State Land Board demolishes the structures prior to sale, or a purchaser factors the cost into the sale price, a reduction of \$82,000 will decrease the 8-year return from 8.29% to 7.61%. It is the opinion of the appraiser that the value of the property will not change with or without the structures.

### *Agriculture*

The property has not been leased for agricultural use since May 2016. A very small window of time exists for the State Land Board to reactivate this use under the current commercial and residential zoning classification. The County will grandfather this activity as long as it is not dormant for more than two years.

According to the South Central District Manager, this property has limited agriculture value. The Animal Unit Month (AUM) rate estimate is 50 AUMs. At Tier 1 lease rates for Park County (\$14.22 per AUM), this would generate total annual rent of \$711.

Finally, the existing perimeter fence is in poor condition and needs repair or replacement prior to leasing. The cost of this work is estimated to be approximately \$10,000, meaning that any associated grazing revenue would not exceed the cost of improvements for approximately 14 years.

### *Recreation*

The property is in a good location for recreation use due to its proximity to the Denver Metro area and easy access from US Highway 285. The topography is gentle and most parts of the site are easily accessible. Timber management work completed by the CSFS results in a "park like" feel featuring large ponderosa pines and aspen groves. There are community services nearby such as a fire station, a gas station, and restaurants. The site is physically suited for development as a campground/RV park, a for-fee mountain bike or an archery park, a commercial zip line course, or a small number of rental cabins.

The State Land Board Recreation Manager contacted the County concerning all three uses mentioned above (zip lines, camping, and archery range). The County indicated that the State Land Board would be required to rezone the property to Conservation Recreation in order to allow for the contemplated uses.

Per the State Land Board Recreation Manager, the income potential associated with these uses could be significant (as much as \$103,000 per year in the most aggressive scenario), but there is no certainty that the zoning will change or any of these uses would be approved. The surrounding neighborhoods would most likely discourage the County from approving any recreation uses on the property.

The negative result of using the property for recreation purposes is that there is a reduction in value if the residential zoning is removed. As an example, Park County recently purchased 280 acres from Lone Rock Ranch, a 2,100-acre ranch less than a mile north of the Board's parcel. The County paid \$4,600 per acre for conserved, non-developable land that contains approximately two miles of Deer Creek that will be used for recreational fishing. The property sold for approximately one-half the per-acre value of the Board's parcel and indicates the possible loss in value if the Board or future owner rezone the parcel for recreation use. The appraiser who completed the original and recent appraisal advised against ever removing a favorable zoning, even if the current use does not support it.

#### *Solid Minerals/Oil & Gas*

The property has little potential for solid mineral presence and/or development. The bedrock consists of pre-cambrian metamorphic rock including schist and gneiss that might have some low potential for construction aggregates or other industrial minerals. According to the State Land Board Solid Minerals Leasing Manager, it is very unlikely the County would issue a mining permit on this property due its proximity with residential neighborhoods.

The U.S. Geological Survey map shows no oil and gas reservoir rocks associated with the property, no coal potential, and no known occurrences of metallic minerals. The State Land Board Minerals Director confirmed that there is currently no oil production in all of Park County, and there has been no exploration or activity in at least a 15-mile radius of the Crow Hill site.

#### *Real Estate*

The property is located in the Crow Hill Rural Center Overlay Area which is "intended to permit the implementation of goals and guiding principles derived from the Park County Strategic Master Plan by targeting new residential uses at or greater than one unit per five acres, targeting the location of new commercial development, and targeting the location of new industrial development to the existing Rural Centers."

Staff met with Park County Development Services to discuss the Park County master plan and more specifically the Crow Hill area. Park County staff indicated that because of the existing residential development that surrounds the state trust land, the County would consider "smaller" residential lots and greater commercial development along the highway.

Staff also contacted a realtor with Dynamic Properties in Bailey, Colorado, to discuss the market demand for residential products. The broker indicated the County recently approved a Planned Unit Development (PUD) near Bailey that will have nine homes under 850 square feet on 8,000 square foot lots. These homes are considered “low income” homes with sales prices of \$250,000 to \$300,000. A recent article in The Flume states that at the time of publication, there were only 10 homes in the Bailey area selling for less than \$300,000.

The discussion with the Dynamic Properties broker also revealed that the County has been searching for a location near Bailey to provide additional commercial services. The closest grocery store to Bailey is Conifer, which is 15 miles, or a 20-minute drive north from Crow Hill.

Given the market demand for both market rate and affordable housing as well as a need for commercial services along the highway, the Crow Hill property appears well positioned for development.

In order to understand the potential of development on the property, Staff identified two experts in mountain home development. Jefferson County Planning and Development referred Mike Chadwick with Chadwick Land Use Entitlements, who also referred Bud Moore with American Craftsman Homes of Colorado.

Both of these individuals understand the opportunities and constraints of community development and home building in the mountain areas of Evergreen and Pine Junction. Mike Chadwick worked at Jefferson County Planning and Development for over 25 years. Bud Moore completed the first Rural Cluster Community in Pine Junction just 10 miles north of the Crow Hill property. Bud Moore acquired this pristine property along County Road 126 from the State Land Board in 2007 and had the full support of Governor Bill Owens. The community is known as the Preserve at Pine Meadows and has won several sustainability awards.

<http://www.mountainrealtycolorado.com/the-preserve-at-pine-meadows/>

Staff toured the Crow Hill property as well as the Preserve at Pine Meadows with these experts and learned the following:

- The benefit of a Rural Cluster Community is that the requirement for a water augmentation program is waived. The constraint of a Rural Cluster Community is that it requires a set-aside of 66% of the land for a conservation easement. Once this happens, the developer is allowed two per 35-acre density. While the topography of Crow Hill is conducive for home sites, the property is too small to consider a Rural Cluster Community as the net result after the set-aside is 12 home sites. If the value of the site today is \$1,800,000, the per-site value is \$150,000 without adding any development costs. The resulting home



prices would need to be in excess of \$1,000,000 to support the land development costs.

- The site is too small for higher density, even one to five-acre home sites. At this level of development (estimated 44 lots), a water augmentation plan is needed, and after legal costs for the augmentation program and development costs, the per-site values will most likely be between \$100,000 and \$150,000 per lot. Using a 4X construction cost estimate, the home sites would be in excess of \$500,000, which are not the affordable price point Park County needs.
- With either the cluster density or higher density development, the Elk Creek Fire District will require a fire mitigation program, most likely an underground cistern or vault for water storage. This increases the need for more water and adds to the development costs.

### Recommendation Formulation

Due to the research above and the indication that a disposal is a likely outcome of the Plan, Staff collected data on recent comparable sales in the area. An opportunity exists for the State Land Board to market the property under three different scenarios described below. These include a single owner residential ranch property, 35-acre lots, or as zoned (44+/- five acre residential lots plus commercial frontage).

### Single Owner Ranch

Staff found three ranches for sale that appeared similar to the Crow Hill parcel. A 337 acre ranch just 8.3 miles north of the Board's parcel known as Wildcat Pointe Estates is listed for \$7,048 per acre. The listing broker indicates they are trying to sell the entire ranch or will subdivide the property into 35 acre parcels. The owner/developer decided not to pursue smaller lots because of the water augmentation requirements and expense. This ranch has spectacular views and a variety of terrain.

The second listing is for a 142-acre ranch outside of Conifer, 12 miles north of the Board's parcel. The asking price is \$10,915 per acre. The parcel includes a 1,736 square foot cabin, but the cabin does not appear to be in good condition or contribute much to the value.

A third listing identified a 91.88 acre ranch in Bailey, Colorado for \$11,956 per acre. The listing states the property has views of Lone Rock and Pikes Peak, mountain terrain, rock outcroppings, seasonal stream, and open meadow. This property appears to be a very good comparable to the Crow Hill parcel.

Lastly, Staff is aware of a sale of the property adjacent to the state trust land known as McArthur Gulch, just five miles west of the Crow Hill property. The 123 acre

property does not have access except through another private property. It has a 672 square foot cabin built in 1965 that is in poor condition. The property sold in September 2017, for \$4,878 per acre.

### 35-Acre Lots

There was an abundance of 35-acre parcels for sale around Fairplay. The average price for four such parcels is just over \$3,000 per acre. One outlier priced at \$6,428 per acre highlighted a “sportsman’s paradise” with hunting fishing hiking, motocross, and all-terrain vehicles. This parcel was close to Breckenridge, Colorado.

### With Current Zoning (+/- 44 five acre residential lots)

The majority of the Crow Hill property is zoned for residential use, but the State Land Board does not own a source of water that will support that use. The appraiser indicated that the comparable sales used in his report were more relevant to a single ranch sale, but a buyer of the Board’s property will benefit from the value of the existing zoning, whether they utilize it or not.

Staff discussed the appraiser’s conclusion with the real estate broker marketing the 2,100-acre Lone Rock Ranch, just four miles north of the Board’s parcel. This property is listed for \$5,257 per acre (\$11 million). The ranch had a preliminary subdivision approval from Park County of 300 four to five acre home sites, which recently expired. The broker indicated that if no water rights exist to support residential development of five homes to the acre, then it would not be effective to market it in such a way.

### Staff Recommendation

The Crow Hill property appears to have a relatively high value and earns a very low annual cash dividend. If sold for the appraised value of \$1,855,000 (\$8,301 per acre), and before brokers fees, the property would generate a reasonable return of 8.29% to the School Trust. While it is likely that the value of the property will continue to increase if it held in the portfolio, there are very limited immediate opportunities to increase rent/income to generate a reasonable annual dividend.

The current residential and commercial zoning allows a developer to capitalize on the location, access, natural features, views, and topography of the site. However, pursuing a residential and commercial development consistent with the current zoning will also require significant investment, in particular the acquisition of a viable water source and augmentation plan.

If the commercial area is exchanged for the residential value, the total appraised value of the property becomes \$7,000 per acre, or \$1,565,011. After a broker fee of 6%, the 10-year return to the School Trust under this scenario is reduced to 4.78%.

After consideration, Staff identified two alternative paths forward (Figure 10).

Figure 10: Alternative Scenarios

Scenario One "Sell as is" (12 to 24 months)	Scenario Two "Clean and Hold for Future Appreciation" (10-years)
Identify and hire a real estate broker to market/sell the property either as a single owner residential ranch and with existing zoning	Remove the existing buildings from the site  Secure the property with adequate fencing, signage, and locks
Reinvest the sale proceeds into other income-producing assets	Hold the property in order to capture additional value appreciation
Cancel or Assign the current leases upon sale	Revisit the property disposal strategy in five years while monitoring the market and the State Land Board's Non-simultaneous account balances
Pros/Cons	Pros/Cons
<p>Takes advantage of current strong real estate market</p> <p>Puts sales proceeds to work in the shortest period of time</p> <p>No additional investment or entitlement risk</p> <p>May not generate the greatest return to the trusts if future value appreciation exceeds the performance of the assets that are acquired with sale proceeds</p>	<p>Removal of existing buildings will minimize vandalism and maintenance cost of the property</p> <p>Additional State Land Board capital investment is required</p> <p>Real estate market may enter a down cycle thereby delaying disposition</p> <p>Board does not earn an annual dividend</p>

The Crow Hill property is a likely site for future residential development, having the potential for increases in value due to its location and zoning. This is especially true if Park County takes action in the future to provide public water service to this part of the county.

Unless a motivated buyer approaches the State Land Board with a compelling offer, Staff believes that holding the asset for another five to ten years is in the best interest of the trust.

In the meantime, Staff will invest in the removal of the abandoned structures, monitor the property for trespass, eliminate any encumbrance associated with the existing leases, and ensure that the property is not affected by any County or citizen led initiatives.

- END OF MEMORANDUM -



COLORADO  
STATE BOARD OF LAND COMMISSIONERS

03.15.2018 | INFORMATION

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TOPIC	Investment & Development Fund Status
STRATEGIC PLAN	<p>Goal 1 - Deliver enhanced financial outcomes for the eight public trusts.</p> <p>Goal 2 - Provide Excellent stewardship of lands held in trusts.</p>
COUNTY	Statewide
PROJECT MANAGER	<p>Nick Massie, Assistant Director</p> <p>Pat Schnurbusch, Finance Manager</p>

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## SUMMARY

At the request of the Commissioners, when Investment & Development (I&D) Fund requests are part of the month's Board Meeting agenda, an update will be provided to better inform decisions made on use of these funds. Tables are provided here showing the status of the I&D Fund. This memo is provided as an Exhibit to two requests in front of the Commissioners in March 2018: 1) Settling the in-lieu debt and 2) Crow Hill.

### Authority

Per Statute, the State Land Board is permitted to transfer up to \$5 million of revenue annually to the I&D Fund for the improvement of trust properties. Only School Trust revenues may be transferred (as opposed to revenues from the other trusts) and funds may only be spent on projects impacting School Trust assets. Up to \$1 million from the \$5 million may be spent on trust asset maintenance, a category for which return on investment and reporting requirements differ. Of the two requests in front of the Commissioners in March 2018, one is asset maintenance and the other a standard I&D Fund request.

### Policy

Staff works to maximize revenue distributions to the beneficiaries. As a result, transfers of revenue to the I&D Fund are made in amounts that best represent known or firmly anticipated expenditures in the near term. (State Land Board Policy 100-001: Management of Trust Assets)

### Amounts Shown in Reporting

An **Opening Balance** in the I&D Fund is an indication that moneys were transferred to the I&D Fund in support of requests previously approved by the Board that have yet to be spent on those projects.

A **Transfer In** represents a planned transfer of revenue to the I&D Fund to support known or firmly anticipated expenditures in the near term. The planned transfer shown is the same transfer noted in

previous reports - it had not been completed as of March 1, 2018. Authority to process transfers rests with Staff.

**Personal Services** represents the portion of staff salary and benefits covered annually by the I&D Fund.

**Future Project Development** is a portion of the I&D Fund to be used on expenditures that better inform future projects, such as surveys and specialized consultants. This annual amount was approved by the Board through Board Order 2009-044 and re-affirmed by the Board in February 2018 through Board Order 2018-018. Expenditures characterized by this Board Order do not need individual approval by the Board.

**Approved Board Orders** is the total of approved amounts on active (not completed; not expired) projects that has yet to be spent. For example, the Board may have approved expenditure of up to \$500,000 on a project in a previous year but only \$100,000 has been spent on the project. The resulting \$400,000 becomes part of the Approved Board Order figure. This figure contributes to the total Unexpended Balance for New Board Orders by suggesting a situation where all unexpended funds on approved projects are spent in the current fiscal year (a 'worst case' scenario). Project spending often occurs over a longer period.

**Unexpended Balance for New Board Orders** depicts the total of all sources of I&D Funds minus the total of all known and potential expenditures through the end of the current fiscal year. This figure does not contemplate requests in front of the Commissioners in the current month.

#### Summary

The I&D Fund has \$2,479,054 of capacity to support new requests for funds, after accounting for all previously approved Board Orders and unspent approved funds.

Of the \$1 million allowed to be spent annually on maintenance of assets, an anticipated \$203,313 of spending capacity is available through June 30, 2018.

Of the \$5 million of revenue that may be transferred to the I&D Fund in a fiscal year, no transfer has been made in fiscal 2018. A transfer of \$1,250,000 is planned for the immediate future, leaving \$3,750,000 of transfer authority through the end of the fiscal year June 30, 2018. Any requests presented this month are in addition to the figures presented in **Table 1** (see next page).

Table 1. I&amp;D Fund Status

Investment & Development Fund	FY 2017-18 as of 03/01/2018
Opening Balance	\$ 3,645,283
Transfer In (Planned)	\$ 1,250,000
Interest Earned (Treasury)	\$ 26,692
<b>Total Sources</b>	<b>\$ 4,948,667</b>
Personal Services	\$ 511,452
Future Project Development	\$ 300,000
Approved Board Orders	\$ 5,408,161
<b>Total Uses</b>	<b>\$ 6,219,613</b>
Unexpended Balance for New Board Orders	\$ (1,270,946)
<i>Remaining Authority for Funds Transfer</i>	<i>\$ 3,750,000</i>
<i>Capacity to Fund Additional Projects</i>	<i>\$ 2,479,054</i>

As a subset of the above figures, detail on the use of funds for the Maintenance of Assets

OPEN MAINTENANCE BOARD ORDERS	Not Spent as of July 1, 2017	FY 2018 Cost Plan	FY 2019 Cost Plan	FY 2020 and Beyond	Total
1630 Brett Grey Ranch Agriculture Improvements (Mtnc)	581,520.43	200,000.00	213,595.00	167,925.43	581,520.43
1649 Irrigation Well Repair, Cure Brothers (Mtnc)	55,888.61	35,000.00	20,888.61		55,888.61
1663 Bohart Ranch Improvements (through 2020) (Mtnc)	380,579.00	115,000.00	133,640.00	131,939.00	380,579.00
1767 Chico Basin Ranch Improvements (Mtnc)	640,168.00	221,687.00	143,471.00	275,010.00	640,168.00
1768 Reclamation of Former National Hog Farm (Mtnc)	225,000.00	225,000.00			225,000.00
<b>Totals</b>	<b>1,883,156.04</b>	<b>796,687.00</b>	<b>511,594.61</b>	<b>574,874.43</b>	<b>1,883,156.04</b>
Spending capacity remaining in fiscal year		203,313.00	488,405.39	425,125.57	

- END OF MEMORANDUM -



## COLORADO

### State Board of Land Commissioners

#### Crow Hill Investment and Development Fund Request

County: Park		
Board Order No. 2018-XX	Meeting Date: March 15, 2018	Page 1 of 1

**DRAFT**

#### Decision:

After consideration of the materials presented and testimony given at its regular meeting of March 15, 2018, the Board determines that it is in the best interest of the school trust to approve \$90,000 of Investment and Development Funds to demolish the structures at the Crow Hill property in Park County.

The Board delegates authority to the Director to take appropriate action consistent with the Board's decision.

COLORADO STATE BOARD OF LAND COMMISSIONERS

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Gregory J. Moffet, President

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William E. Ryan, Director

*A Board Order is not a contract or an offer to contract. Statements or writings by the Board, individual board members, or the Board's staff in considering a proposal are not binding. No lease, use, interest, or other obligation or disposition of state trust assets can be created until all terms thereof have been finalized, reduced to writing, approved by the Board, and executed by all parties.*

*If the actions authorized by this Board Order have not been completed within two years from the date of the Board Order it will become null and void unless otherwise noted.*