



School and Institutional Trust Lands Administration

Board of Trustees Meeting Agenda

April 10, 2019

9 a.m.

Location: Hampton Inn & Suites St. George SunRiver
1250 West SunRiver Parkway, St. George UT 84790

- 1. Welcome**
- 2. Approval of Board Meeting Minutes**
- 3. Confirmation of Upcoming Meeting Dates**
 - a. May 8th Regular Meeting
 - b. June 12th Regular Meeting
 - c. July – No meeting scheduled
 - d. August 14th Regular Meeting
 - e. September 10th - 11th Board Tour – Location TBA
 - f. October 9th Regular Meeting
 - g. November 13th Regular Meeting
 - h. December – No meeting scheduled
- 4. County Advisory Committee, Utah Tribes, and Public Comment Period**
- 5. Chair's Report**
- 6. Advocate Report**
- 7. Notification and Discussion Items**
 - a. Notice of Minor Development Transaction—Sale of 5.75 Acre Parcel of multi-family and 1.25 Acre Parcel of neighborhood commercial land in Sienna Hills
- 8. Director's Report**
 - a. Director Ure's Update –
 - Notification of Current Events
 - Revenue Discussion
 - b. Muddy Coal Tract ML49443 – OBA Amendment 2
- 9. Adjourn**

Board Tour Details

Tuesday, April 9, 2019

- 6:00 a.m. Drive to St. George
- 10:30 a.m. Arrive in St. George
- 11:15 a.m. Meet Board at Airport
- 11:30 a.m. Tour St. George Property
- 12:00 p.m. Lunch with Desert Color
- 1– 4:00 p.m. Tour St. George Properties
- 4:30 p.m. Community Reception**
 - Hampton Inn & Suites St. George SunRiver
 - 1250 West SunRiver Parkway, St. George, UT 84790
- 6:30 p.m. Private/Small Group Dinner
- 8:00 p.m. Overnight at Hampton Inn & Suites St. George SunRiver

Wednesday, April 10, 2019

- 8:00 a.m. Breakfast at the hotel
- 9:00 p.m. Board Meeting
 - Hampton Inn & Suites St. George SunRiver
 - 1250 West SunRiver Parkway, St. George, UT 84790
- 11:00 a.m. Tour St. George Property
- 12:30 p.m. Lunch at Black Bear Diner
- 2:00 p.m. Board Check in at St. George Airport
- 2:30 p.m. Drive to SITLA
- 7:00 p.m. Arrive Salt Lake City

Items may be heard in any order, at any time, at the Board's discretion. Board members may participate in the meeting via electronic means. The tour itinerary is subject to change.

Please be aware that the public portions of this meeting may be broadcast live over the Internet. Also, be aware that an audio recording of the public portions of this meeting, along with any materials presented or distributed in the public portions of this meeting, will be posted on Utah's public notice website. Witnesses with questions, concerns, or handouts should contact staff.

In accordance with the Americans with Disabilities Act, persons needing auxiliary communicative aids and services for this meeting should contact Lisa Jones at 801-538-5110, or by email at lsjones@utah.gov, three (3) days in advance.

I, Lisa S. Jones, SITLA Board of Trustees' Executive Assistant, hereby certify the foregoing agenda was emailed to the Salt Lake Tribune, was posted on the Utah State Public Notice website, <http://pmn.utah.gov>, SITLA's website at <https://trustlands.utah.gov/>, the SITLA app, and was posted at SITLA's Offices, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102. *Posted and dated on the 29th day of March, 2019.*

Notification

TO: Board of Trustees, School and Institutional Trust Lands Administration

FROM: Aaron Langston, P&DG Utah South

DATE: March 20, 2019

BENE: Schools

RE: *Notice of Minor Development Transaction—Sale of 5.75 Acre Parcel of multi-family and 1.25 Acre Parcel of neighborhood commercial land in Sienna Hills*

Introduction

Parcel 17B is a 5.75 acre “multi-family” parcel (3 acre super pad with 2.75 acres of open space, slopes, and wash) and is situated immediately next to parcel 17A, which is a 1.25 acre “neighborhood commercial” parcel.

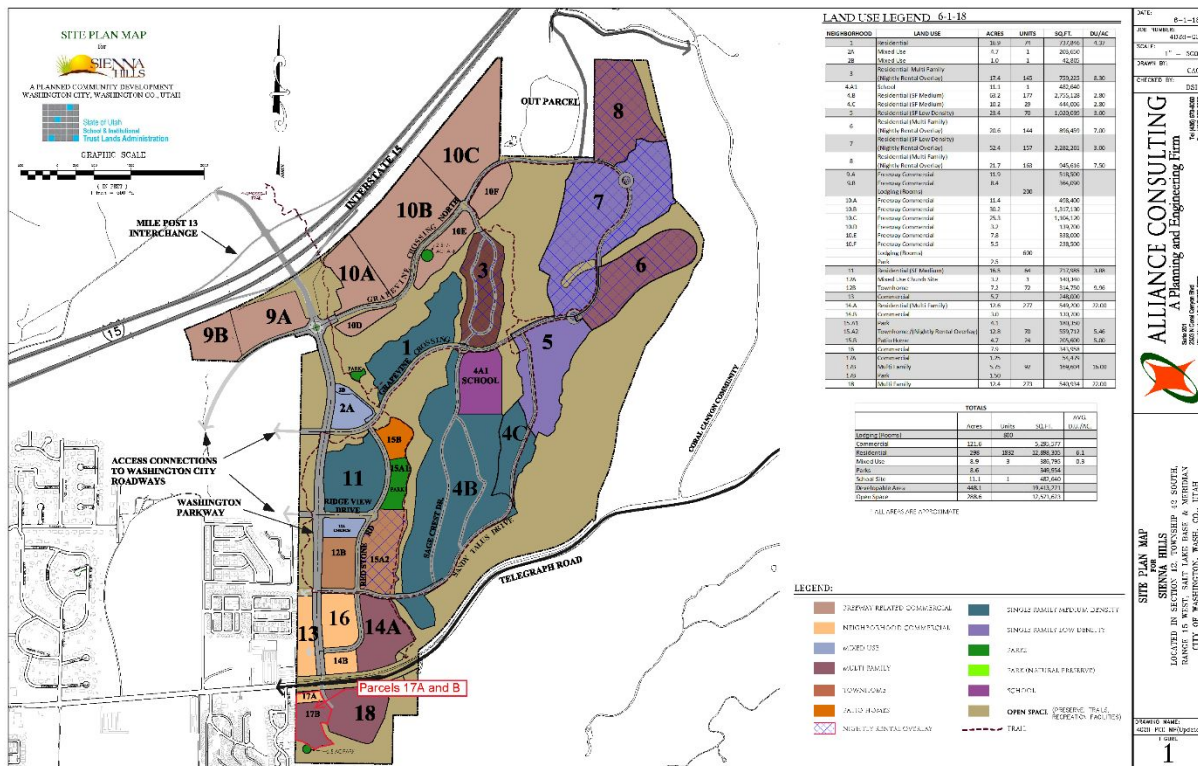
Staff always thought parcel 17B was undevelopable because of the landfill that the City operated there from 1956 until 1980. The Sienna Hills PCD showed a park over the landfill. In January of 2018, the Board approved funds to dig up the old landfill, haul the refuse to the nearby County landfill, and otherwise fill the hole with crushed rock that would be harvested from nearby parcel 18. The plan worked excellently and both parcels (18 and 17) have now been graded and are pad ready. Staff also worked through the City process to have parcel 17B rezoned to accommodate development – and successfully changed the park designation to a multifamily designation with 16 dwellings per unit, for a total of 92 dwellings.

Proposed Project

Troy Belliston with Belliston Construction submitted an offer on parcel 17B for \$9,000 per door (\$9K * 92 units = \$828,000) for an apartment complex. However, after working with engineers and architects, discovered that with the maximum height restriction of 55 feet, he can’t fit more than 70 units (35 in each of two buildings) on the 3 acre super pad. By including the neighboring 1.25 acre commercial parcel, he could fit another partial building, potentially achieving the City-approved maximum density. However, the bottom level of the third building would need to have a commercial component – such as a retail shop – in order to meet the requirements of the PCD. The developer also provided a feasibility study for the proposed project, which demonstrated a strong need for 1-2 bedroom apartments in the County.

Current Offer

Mr. Belliston’s offer was revised to include both parcels 17A and 17B at the same \$828,000. An RFP was let; although Staff received several phone calls regarding the parcels, most interested parties indicated that densities could not be achieved and the Trust should consider doing townhomes. In the end, no additional offers were received. By the end of January, the appraisal came back and valued parcel 17B at \$800,000 and parcel 17A at \$340,000. Mr. Belliston, upon receipt of the appraisal, indicated he would be willing to match the appraisal (\$1.14 million for both parcels) and move forward. Upon Board approval, Mr. Belliston will close within 5 months.



BOARD MEMORANDUM

DATED: March 18, 2019

TO: Board of Trustees, Utah School and Institutional Trust Lands Administration

FROM: Thomas B. Faddies, Assistant Director/Minerals
Andy Bedingfield, Minerals Resource Specialist

RE: Amendment 2 to coal lease ML 49443-OBA in Sevier County

LANDS TO BE ADDED:

Upper and Lower Hiawatha Seams
T20S, R5E, Sec 32: S2S2 (40 acres)
T20S, R5E, Sec 33: S2S2 (40 acres)

Lower Hiawatha Seam
T21S, R5E, Sec 5: All (278.08 acres)
T21S, R5E, Sec 4: All (278.20 acres)
T21S, R5E, Sec 7: All (397.56 acres)
T21S, R5E, Sec 8: All (640 acres)
T21S, R5E, Sec 9: All (640 acres)

Containing in all 2,313.84

BENEFICIARY: MULTI

LESSEE: Canyon Fuel Company, LLC
225 North 5th Street, Suite 900
Grand Junction, CO 84501

This is a request for Board approval of an Amendment to an Other Business Arrangement (“OBA”) under Utah Code Ann. 53C-2-401(1)(d)(ii). The proposed amendment includes adding additional exchange lands to the lease. Approximately 80 acres of land will be added to the lease for both the Upper and Lower Hiawatha Seams. In addition, the lease will be amended from having solely the Upper Hiawatha seam leased to include all of the Lower Hiawatha seam coal within the existing lease footprint. The inclusion of these lands within the lease will allow the lessee the ability to mine additional coal associated with the Green’s Hollow Lease (a federal lease) and extend the longwall panels onto the western portion of the proposed amended SITLA lease.

Background

These lands belong to the SITLA Muddy coal tract. Coal rights within the Muddy tract were acquired by the trust in the 1998-Utah Schools and Federal Land Exchange (PL 105-335). The surface is owned by the federal government within the Manti-La Sal National Forest. A Memorandum of Understanding governing the 1998 land exchange requires SITLA to consult with the Forest Service and with the BLM when leasing the coal. The entire Muddy coal tract will revert back to the ownership of the Federal Government upon

the mining of 34,000,000 tons (combined with the DugOut exchange tract). To date, 26,430,319 tons have been sold from the combined tracts. Therefore, both the Muddy Tract and the DugOut Tracts will revert upon mining and selling of an additional 7,569,681 tons of coal from either lease. It is not anticipated that this subject lease amendment will produce enough coal to cause the tract to revert back to federal ownership. The lessee is Canyon Fuel Company, LLC which is a subsidiary of Wolverine Fuels.

The Forest Service was consulted and has no issues with the proposed lease boundary adjustment. The Forest Service submitted 18 stipulations that are to be included in the lease amendment. These stipulations are in regards to the surface usage, such as cultural resources, biological issues and water use. As this is an underground mining operation, the only surface expression will be from subsidence of the long wall panels, which will largely occur off lease. Consultation with BLM focused upon Fair Market Value ("FMV") for a deferred bonus payment upon the coal within the lower Hiawatha seam.

SITLA contracted Stantec Consulting Services, Inc. (formerly Norwest) to perform an independent FMV study of the lower Muddy Tract and the additional lands containing both upper and lower tracts. The FMV study concluded that the proposed amendment contains 1,889,000 tons of recoverable coal. This includes portions of the mains being driven through the amended area and portions of longwall panels. The mining of the subject amendment will allow for more efficient development of the larger Green's Hollow Federal Lease to the west and north. The geology of the western portion of the Muddy Tract is somewhat complex, in that the upper and lower Hiawatha seams converge in some portions to create one thick seam of coal. This convergence varies with location with interburden ranging from 0' to 200'.

Stantec further concluded that the FMV bonus payment for the tract, on the basis of comparative sales, should be \$0.410 +/- \$0.030 per recoverable ton. In consultation, BLM agreed with the FMV calculation by Stantec which would place the FMV at \$0.410 per recoverable ton. (FMV was derived as the average of recent comparative coal lease sales, plus one standard deviation.)

Royalties, Rentals and Bonus Payment

The bonus payments are required in addition to the standard 8% production royalty that is required by the lease. SITLA does not share in PL1205 Exchange tract coal bonuses, which by law are split between the United States and the State of Utah. SITLA does, however, receive a 3% management fee for administering the bonus payments (48.5% to the federal government, 48.5% to the State of Utah).

ML 49443-OBA requires an annual rental of \$3.00 per acre, due each year on October 1. Rental for the 80.0 acres will be an additional \$240.00 in annual rental. The acreage will subsequently pay the normal annual rental of \$3.00 per acre as an integral part of the lease.

Trust Lands Coal Opportunity

Wolverine Fuels (or Canyon Fuel Company) is currently designing the mine plan and longwall panels within the recently acquired federal Green's Hollow Tract. This federal coal tract lies directly to the west of the subject lease, and the longwall panels will be able to recover more coal if this lease amendment is in place. The Lease Amendment #2 is summarized as follows.

- 1) Lessee will pay an annual rental of \$3 per acre for the additional 80 acres of leased lands, equating to \$240 per year.
- 2) Lessee will pay a deferred bonus payment in the amount of \$0.41 per ton. This bonus payment will be due upon sale of the coal.
- 3) Forest Service stipulations will be included in the lease. These include surface affecting issues such as cultural resources, water protection and protected species.

The Muddy Coal Tract was obtained exclusively for the coal resources in 1998. The opportunity to fully lease the tract and the lower Hiawatha seam are positive for the Trust. It is likely that the development and mining of the adjacent Green's Hollow Tract will precipitate production onto the Muddy Tract. In fact, the subject lease amendment will allow for more efficient mining and coal recovery from both the Green's Hollow tract and the Muddy Tract. While the anticipated mining will be significant, it likely will not be enough to cause the Tract to revert back to federal ownership. Both the BLM and the Forest Service have consulted and are in agreement with this proposed lease amendment.

ML 49443-OBA
Lease Amendment # 2

Amend #2
To include both Upper and Lower Hiawatha Seams

Amend #2
To include Lower Hiawatha Seam

Legend:

- Coal Lease
- Trust Lands Mineral Ownership
- Full Mineral
- Partial Mineral
- Land Ownership and Administration
- Bureau of Land Management
- Bureau of Reclamation
- Benthed-Jones Land Use Lands
- National Recreation Area
- National Parks & Historic Sites
- National Monument
- National Forest
- National Wilderness Area
- National Wildlife Refuge
- Other Federal
- Military Reservations and Corps of Engineers
- Private
- State Trust Lands
- State Sovereign Land
- State Parks and Recreation
- State Wildlife Reserve/Management Area
- Other State
- Tribal Lands

Scale: 0 0.50 1.0 1.50 Miles

North Arrow: N

Map Data: Date represented on this map is for REFERENCE USE ONLY and is not suitable for legal, engineering, or planning purposes. Users of this information should obtain or contact the primary data and information sources to verify the accuracy of the information. BLM provides this data in good faith and does not warrant its suitability for any particular use, or any special, indirect or consequential damages in any way, arising out of or in connection with the use of the facility to use the data herein.

Land parcels, lease boundaries and associated BTLA data layers may have been adjusted to allow for what "old" BTLA. The Surface Ownership Land Release data (if present) are maintained by BTLA to reflect trust land status and surface ownership. Lakes, rivers, streams, highways, roads, county and state boundaries are distributed by the State Administrative Geographic Information Center and/or other resources as specified. Colorful lines (if present) were generated from USGS 1:250,000 DTM.

Notes: While BTLA aims to verify data for accuracy and content, discrepancies may exist within the data. Applying the most updated BTLA ownership GIS data may require contacting the BLM staff directly at 811.031.031 or btlas@blm.gov. The BTLA GIS information represents your ownership and concerns regarding the data and will attempt to resolve issues as they are brought to our attention. Coordinate System: NAD 83 UTM Zone 12N, Projection: Transverse Mercator, Projection: North, UTM 12N.

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