

# Agenda





## **Board of Trustees Meeting Agenda**

September 11, 2019

9 a.m.

**Location:** Richfield DNR Regional Complex  
2031 South Industrial Park Road, Richfield UT 84701

- 1. Welcome**
- 2. Approval of Board Meeting Minutes**
- 3. Confirmation of Upcoming Meeting Dates**
- 4. County Advisory Committee, Utah Tribes, and Public Comment Period**
- 5. Chair's Report**
  - a. Oath of Office – Warren Peterson
- 6. Advocate Report**
- 7. Open and Public Meetings Act Annual Training**
- 8. Notification and Discussion Items**
  - a. Notice of Minor Transaction - Revision to Development Lease #1118 - Elektron Solar
  - b. Notice of Minor Transaction – Proposed Sale or Ground Lease of 150 Acres in Big Water
  - c. Notice of Minor Transaction – Warner Valley Shooting Range
- 9. Director's Report**
  - a. Notification of Current Events
  - b. UTTR Exchange and BLM Travel Management Planning Updates
  - c. Proposed OBA Limestone Exploration-Lease Option Agreement for Unleased Potential Limestone Lands near Five Mile Pass, Utah County
- 10. Closed Session**
  - a. Pursuant to §52-4-205(1)(d), strategy sessions to discuss the purchase, exchange, or lease of real property, including any form of a water right or water shares.
- 11. Adjourn**

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.

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](mailto: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/>, and was posted at SITLA's Offices, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102. *Posted and dated on the 28<sup>th</sup> day of August, 2019.*

8a

# Notice of Minor Transaction

Elektron Solar

DEV Lease Revision



## MEMORANDUM

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

FROM: Troy Herold, Project Manager

RE: Notification of REVISION TO Minor Transaction  
Development Lease 1118 – Elektron Solar Energy  
I-80 Industrial Block, Tooele County

Date: September 21, 2019 – Original Board Notification on September 21, 2017

Fund: Schools

### DEAL POINT CHANGES FROM ORIGINAL AGREEMENT ARE IN RED

Elektron Solar has won the most recent RFP issued by Rocky Mtn Power to supply renewable energy to Salt Lake City, Park City, Summit County, UVU, and Deer Valley & Park City Mtn Resorts. They are finalizing a Power Purchase Agreement (PPA) to be signed in the next 60 days. They would like to start construction in 2020 and be operational by 2021.

The Real Estate Committee reviewed this proposed transaction at their ~~August 23, 2017~~ **August 27, 2019** meeting and recommended moving forward with the transaction.

#### Summary

Elektron Solar Energy has a lease of 548 acres of the larger I-80 Block to develop a Solar Power Generation Facility. The lease will be for up to 60 years including a 5-year pre-development phase, a 25-year base lease, and up to three 10-year extensions. Revenue received from this transaction will include \$50,000/year lease payments during the pre-development phase; and a ~~4.5%~~ **3%** royalty on Gross Profits of the facility once developed with a minimum lease payment of approximately ~~\$172,800/year~~ **\$109,600**. The ~~4.5%~~ **3%** royalty is expected to surpass the minimum lease payment almost immediately. **The royalty will revert to the original 4.5% (or \$270/acre minimum) in year 26 of the lease.**

#### Background

The proposed lease area is at the northern end of the block, ½ mile to the east of Rowley Road. The lessee will also receive an easement for their access road and transmission improvements out to and along Rowley Road as part of this transaction.

Elektron Solar has already completed a significant amount of due diligence on the property including Phase 1 Environmental and cultural clearance work, Phase II Environmental work, geotechnical studies, and engineering studies.

They have received approval with Rocky Mountain Power (“RMP”) for an interconnection of 80 MW at this site as well as the potential for energy storage. The project received final approvals from the EPA, a Conditional Use Permit from Tooele County, and has completed final engineering design. Construction is planned to start Spring of 2020 and be operational by 2021.

### Terms

The lease includes a 5-year pre-development phase (which started on December 5, 2017), a 25-year base lease activates as soon as energy production commences, and up to three 10-year extensions (**which will now be mutually agreed to**) for a total of 55 years of operations, which is anticipated to be the economic life of the facilities.

### Economic Evaluation

The I-80 Block has had several recent appraisals from various activities (ie: Stericycle and recent RMP easements). Based on these appraisals, distance from Rowley Road, and the large tract of land, a value of \$5,500/acre was calculated as a fair value for the lease. The minimum annual lease payment proposed is ~~\$270/acre or \$172,800~~ **\$200/acre or \$109,600 for the lease footprint of 548 acres**. SITLA’s energy production leases usually require a royalty on the gross profits of the facility with a minimum lease payment based on the land value. The royalty rate of ~~4.5% of gross profits is a typical SITLA rate.~~ **3% was agreed to in a negotiation in order for Elektron to be competitive given the site construction costs and decreasing costs of solar production.**

**This lease modification results in a total projected revenue on the project of \$11.5M (vs \$13.9M). Total projected revenue during the 25yr base period only equals \$4M (vs \$6.3). Current total land value is \$3M +/-.**

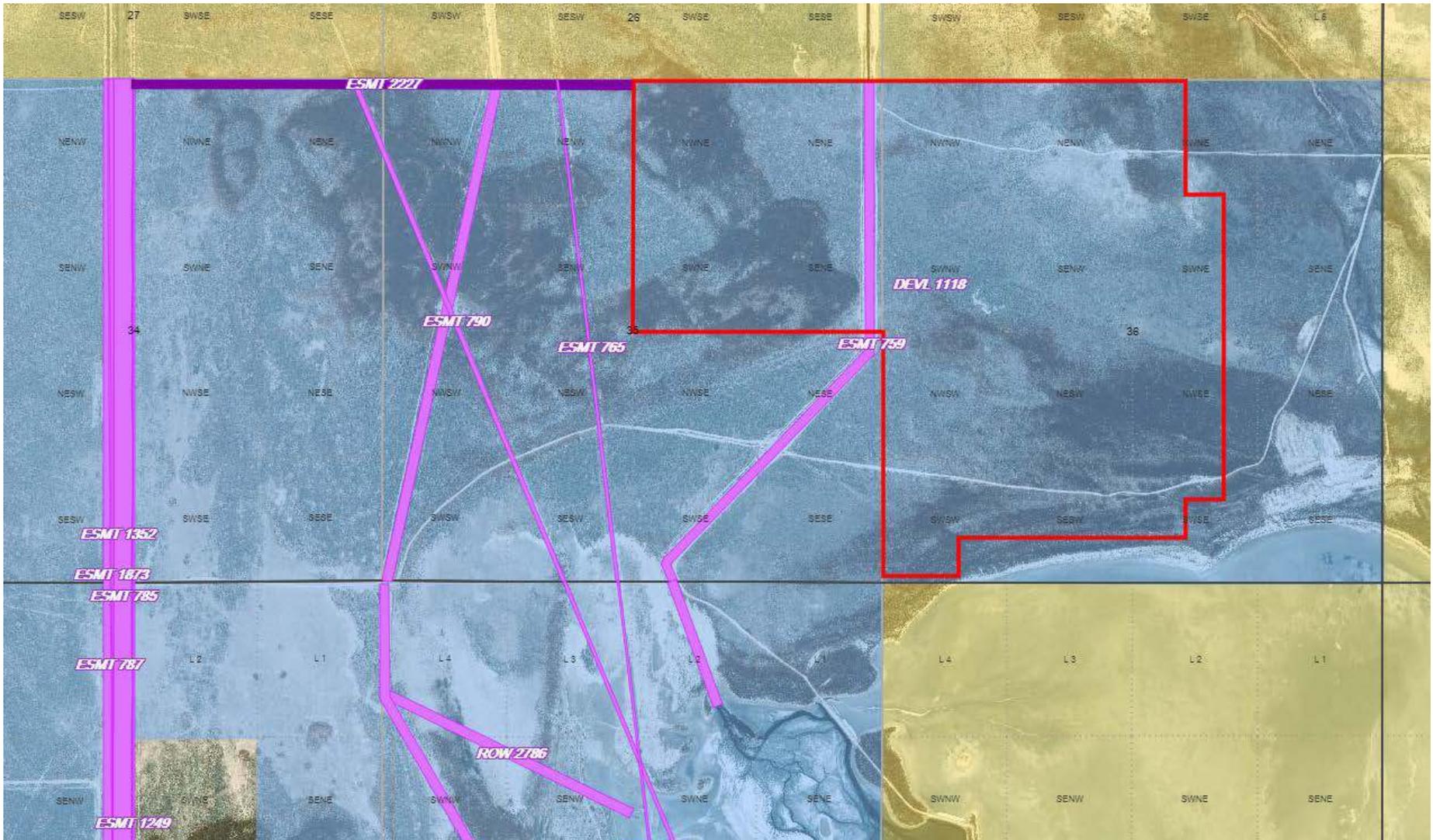
### Conclusion

Staff supports this project and its economics. It is an excellent low-impact use of this property that will have long term returns to the Trust.

### Request

As this is a Notification only, no action is required by the Board for this lease **revision** to Elektron Solar Energy, LLC.

Figure 2 – Project Area Detail



8b

# Notice of Minor Transaction

Proposed Sale or  
Ground Lease of 150  
Acres in Big Water



# Memorandum

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

**FROM:** Aaron Langston, Project Manager, P&DG Utah South

**DATE:** August 20, 2019

**RE:** *Notice of Minor Development Transaction – Proposed Ground Lease of 150 acres in Big Water, Utah*

**BENEFICIARY:** Schools

---

## Site History

There has been little to no interest for any development in this remote area of Big Water, which is situated near the City water tanks south and west of the town.

## Proposed Project

Under Canvas proposed a development of 60 canvas structures in a remote area comprising 150 acres in Big Water for the purpose of establishing a “glamping” facility similar to the ones they have near Zion National Park, Grand Canyon, Yellowstone, Glacier, and the Great Smoky Mountains. Under Canvas gives their guests a unique opportunity of camping with modern conveniences while not losing the feeling of being in the great outdoors.

The Town of Big Water is generally supportive of the concept and is willing to supply a 2” waterline to the remote parcel. In addition, the parcel is near distribution powerlines. Unfortunately, consistent with the rest of Big Water, there is no sanitary sewer and the project would need to be on a septic system. Because of the nature of the project, paved roads and storm sewer would not be necessary.

## The Offer(s)

The original offer was to purchase the entire 150 acre parcel for \$8,000 per acre, totaling \$1.2 million, or appraised value, whichever is higher. An appraisal has been ordered but has not yet been received at the time of this writing. It is anticipated the proposed purchase price will exceed the appraisal.

Staff feels residential development in this area will not be economically viable for decades to come. For this reason, there are advantages in selling this parcel outright. However, Staff recognizes that in the distant future, the proposed area should be ideal for a master planned development. Consequently, Staff asked the buyer to submit a second LOI for a long term land lease. The buyer was willing to submit the second LOI, complete with proformas.

The basic concept of the ground lease is for the Trust to receive 5% of the gross receipts from all room, food, and beverage sales.

### Analysis

After receipt of the second LOI staff did a thorough analysis of the advantages of each transaction structure. The advantages of selling the parcel outright would be in collecting the money immediately so that it could grow over time, with no risk tied to the success of the proposed project. The disadvantages of selling the property include the lost possible revenue of leasing the land and the inability to terminate (and/or control) the camping facility should a higher and better use become a possibility in the distant future.

If the Trust was to enter into a long term ground lease with Under Canvas that included the ability to reclaim and then develop the land in the distant future when/if residential development makes sense, then the Trust could be earning revenue from the glamping venture and then could capture development money in the future. If future residential development opportunities do not pan out, the Trust could sell the property to the Tenant if at the time that seemed more lucrative than continuing with the Lease.

### Deal Structure

Pursuant to the above analysis Staff recommends pursuit of the ground lease option. The proposed deal structure is for a basic ground lease with a minimum yearly lease payment based on 75% of projected gross revenue in year 1 of projections (\$86,670) with a reconciliation at 5% of gross revenue on receipts from all room, food and beverage sales.

The lease would run for 30 years with one automatic five year extension unless tenant gives notice, plus three additional five year extensions so long as both parties are in agreement. Additionally the lease will carry a "covenant to open" based on a time frame mutually agreed upon by both parties.

### Return to the Trust

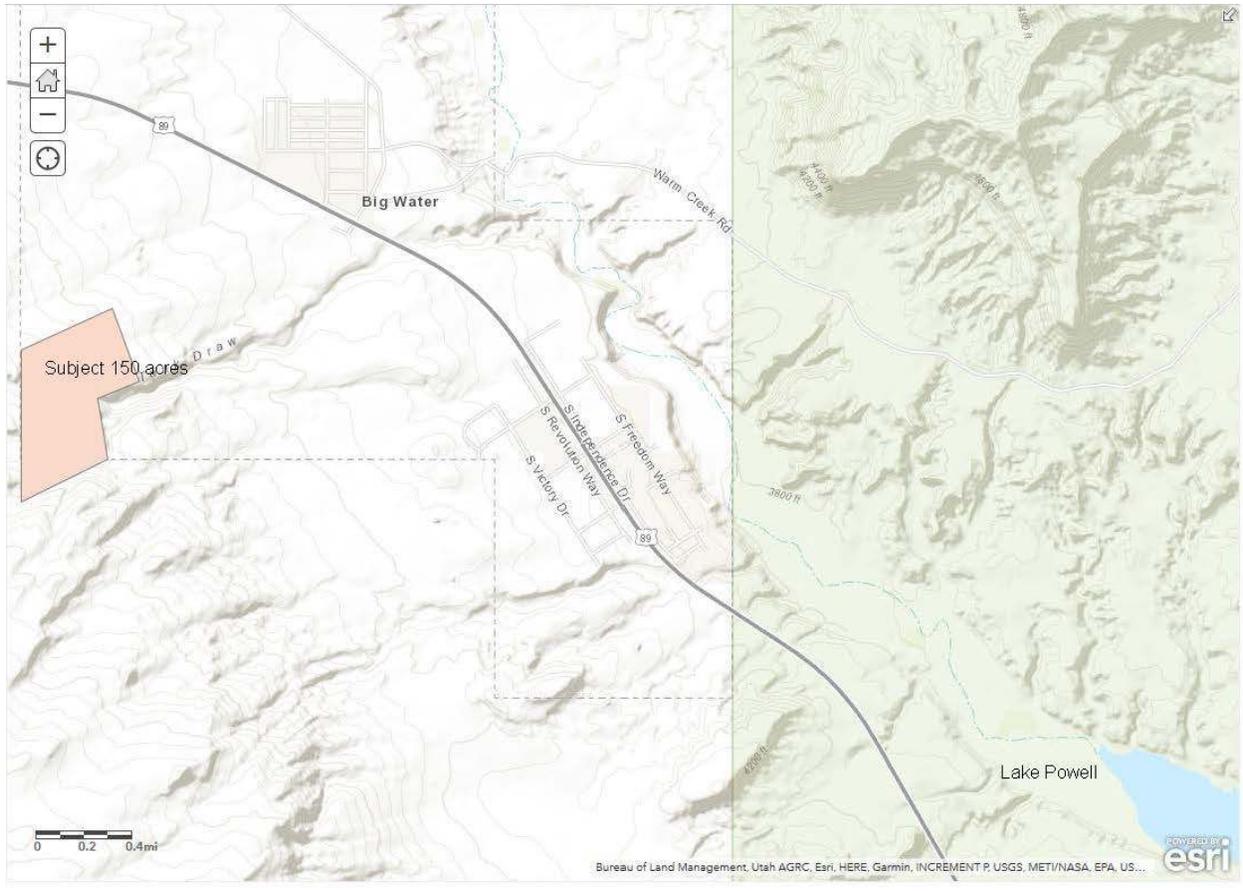
Anticipated returns to the Trust comparative to a sale are projected as follows:

	<b>Yearly Lease</b>	<b>Lease</b>	<b>Sale</b>
	<b>Revenue Projection</b>	<b>(Accumulative)</b>	<b>(Invested at 7.5%)</b>
PV		\$ 2,555,916	\$ 1,200,000
Year 1	115,560	\$ 115,560	\$ 1,200,000
Year 5	147,045	\$ 773,487	\$ 1,602,563
Year 10	166,368	\$ 2,027,493	\$ 2,300,686
Year 15	188,230	\$ 3,948,288	\$ 3,302,933
Year 30	272,613	\$ 17,511,401	\$ 9,772,973
Year 50	446,709	\$ 88,967,730	\$ 41,514,135

### Recommendation

Staff recommends leasing the property as outlined above. This recommendation was discussed and approved in Real Estate Committee meeting on August 27, 2019.

**Exhibit A**  
SUBJECT PROPERTY



8c

# Notice of Minor Transaction

## Warner Valley Shooting Range



# Memorandum

**TO:** Board of Trustees, School and Institutional Trust Lands Administration  
**FROM:** Aaron Langston, Project Manager, P&DG Utah South  
**DATE:** August 16, 2019  
**RE:** *Notice of Minor Development Transaction – Warner Valley shooting range*  
**BENEFICIARY:** Schools

---

## **Site History**

The Subject Property is located south of our Warner Valley block on the Arizona border and is extremely remote with no utilities or infrastructure. Access is limited to an existing dirt road that goes through private and BLM lands.

Southern Utah Practical Shooters, Inc. approached SITLA in 2017 to purchase the property in order to construct and maintain a “world-class” shooting range. The location is far enough from development to be considered “safe,” but is close enough to be conveniently located. For various reasons, the buyers were unable to make good on their offer. However, they continued reaching out to others in hopes that someone could finance the deal and make it happen.

In April of 2019, the Trust was approached by Dave Horlacher to purchase the same parcel of land (466.85 acres) for the same price (\$1.2 million) for the same use (shooting range to focus random shooting on Public and Trust Lands to this location). The Trust solicited competing offers via the St. George Spectrum and the agency’s website, but no additional offers were generated.

## **The Current Offer**

An updated appraisal was ordered, valuing the property at \$2.1 million. The buyer decided he could match the appraisal and decided to move forward with the proposed transaction.

## **Deal Structure**

Earnest money of \$20,000 will be paid upon signing of a Certificate of Sale and Board approval. The buyers have requested a 180 day governmental due diligence period. Wherein the only access to the property is through a dirt road, the buyers are working with the private land owners, the BLM, and the County, to maintain and possibly improve the existing dirt road access. Although it is hoped something can be worked out there, the buyers are willing to purchase the property even if the access road can’t be improved or maintained – so long as they can secure legal access to the site. If legal access is secured, the buyers will pay the balance at closing.

Additionally the buyer will make covenant to enforce a no shooting zone in the general areas of parcels 2 and 3 as depicted in the exhibit below. This is to ensure a good buffer between the shooting range and possible future development to the north.

**Return to the Trust**

The Trust will receive market value for land without infrastructure that is arguably too rural for development. In addition, the School Trust Lands Administration will be strengthening its ties with the County, which is supportive of the project. It is also expected that unapproved shooting throughout the County, and particularly on other School Trust Lands, will be reduced dramatically once this facility is open to the public.

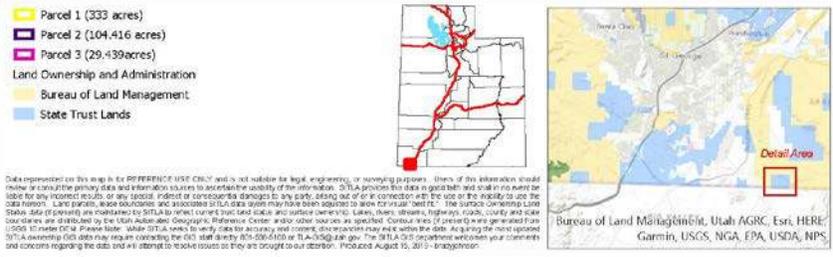
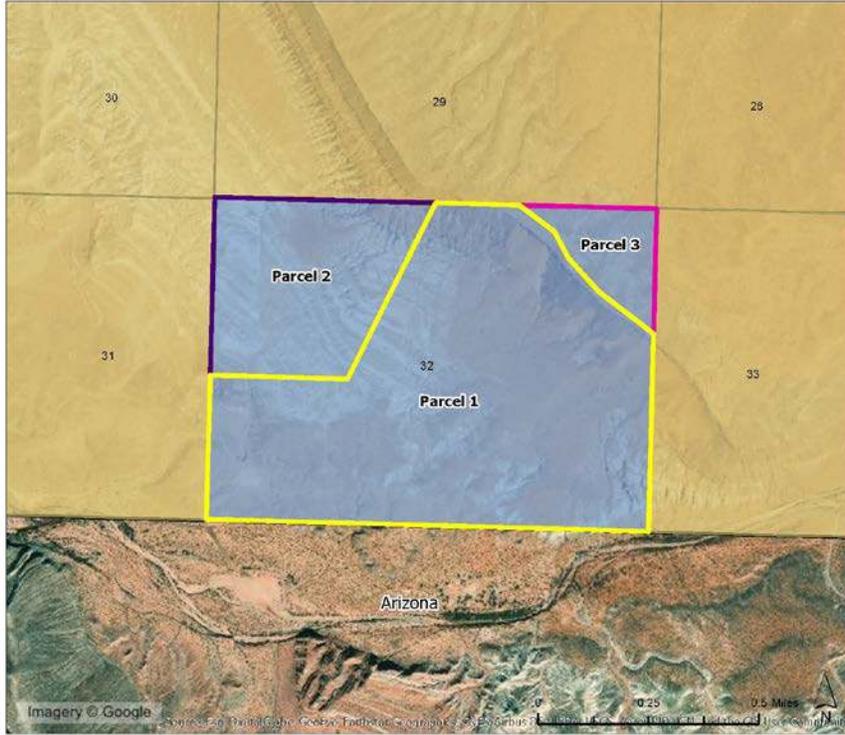
**Recommendation**

Staff recommends proceeding as outlined. This transaction was reviewed by the Real Estate subcommittee in their meeting of August 27, 2019 in which the committee recommend approval to the full Board of Trustees.

# Exhibit A

## SUBJECT PROPERTY

**C 26835 - Warner Valley Shooting Range**  
 T43S R14W within Sec. 14, SLB&M  
 Washington County



9c

Proposed OBA

Limestone Exploration

Near Five Mile Pass,

Utah County



## **BOARD MEMORANDUM**

DATED: August 20, 2019

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

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

BENE: School Fund

RE: Other Business Arrangement (“OBA”), Limestone Exploration-Lease Option Agreement for Unleased Potential Limestone Lands near Five Mile Pass, Utah County.

LANDS: T7S, R3W, SLB&M  
Section 2: Lots 3, 4, S½NW¼  
  
Containing in all 162.30 acres (School Fund)

APPLICANT: JDH Fairfield, LLC  
1450 West 1850 North  
Lehi, UT 84043

This is a request for Board approval of an Other Business Arrangement (“OBA”) under Utah Code Ann. 53C-2-401(1)(d)(ii). The proposed action includes entering into an exploration-lease option agreement which will enable the applicant to: 1) Perform exploration and geologic studies on the subject lands; and, 2) if mineable and merchantable limestone is discovered, to exercise an option to non-competitively lease the lands for limestone mining upon payment of a bonus bid.

### **Land Status**

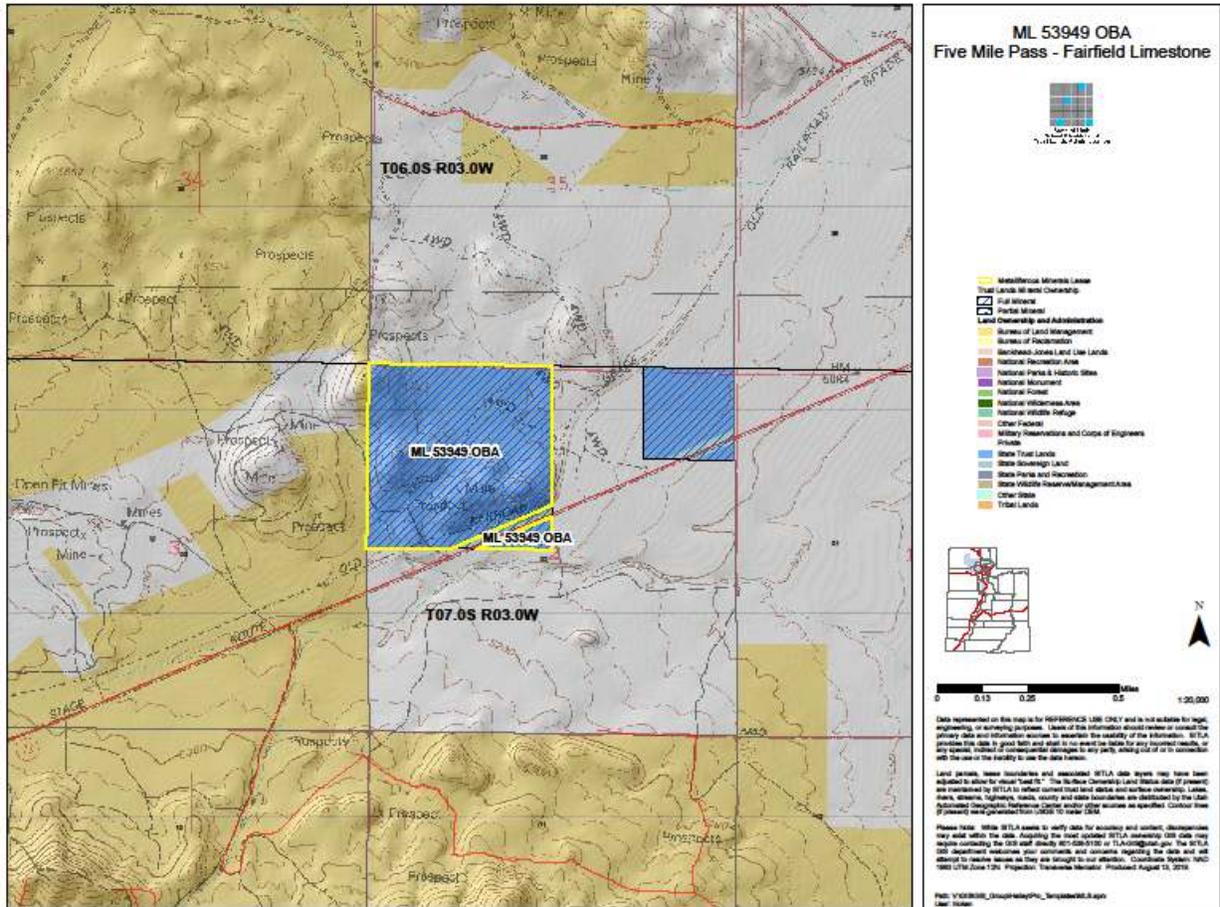
These lands are located in unincorporated Utah County near Five Mile Pass. The lands within this proposed lease were acquired by the State of Utah under Confirmatory Patent 43-66-0008 through the Enabling Act, upon Statehood of January 4, 1896, or upon survey from the United States. This parcel was held by mineral lease most recently in 2017 by Kennecott Exploration Company (KEC) for metalliferous minerals. The development of near surface limestone would not impact any potential deeper mineral targets. The land is grazed under GP 20397-09 to Georgia Monroe. In addition, there are easements for telephone and power lines adjacent to the highway.

### **Limestone Aggregate Potential**

The above described trust lands are mapped as being Mississippian Great Blue Limestone in the western hills with Quaternary Alluvium in adjacent flatlands. The Great Blue Limestone is mined for aggregate production near Eagle Mountain City by both Staker Parson Companies and HADCO. The applicant proposes to mine limestone from the hills within the proposed lease area.

The aggregate industry is seeing increased social pressure as suburban development continues to spread and population increases. The subject lands are a far enough distance away from current populations to not

be a concern politically and socially. The mining of aggregate could possibly continue for several decades into the future.



### Trust Lands Limestone Aggregate Opportunity

The applicant currently has agreements with the adjacent landowners for sand and gravel and processing facilities. Leasing this land to JDH, which is a subsidiary of HADCO, would be advantageous, as it would provide a steady revenue stream for the foreseeable future. JDH is willing to put up significant expenditures in exploring the subject lands and in evaluating the mining potential of the limestone resources therein, and is willing to pay a bonus if limestone resources are determined to meet ASTM and AASHTO specifications. The Exploration-Lease Option Agreement negotiated with JDH by the Minerals Group is summarized as follows.

- 1) JDH will commit to performing exploration on the leased lands and producing a resource report. This data would be submitted to SITLA
- 2) During each year of the three-year option period, JDH will pay the Trust a holding fee of \$3.00/ac., or \$500, whichever is greater.
- 3) Upon payment of a one-time bonus in the amount of \$10,000, then JDH may obtain a non-competitive trust lands limestone lease covering the subject lands by making said bonus payment to the Trust.

- 4) The limestone lease, if issued, will contain standard Trust lands mineral leasing terms and conditions lands. The lease will have a primary term of ten years and require annual rentals of \$3.00 per acre. The production royalty rate will be \$0.45 per short ton for all produced material.

### **Potential Problems**

This area sees a high amount of OHV and recreation use by the public on BLM, private and SITLA lands. The access from the public would have to be restricted for safety reasons once mining and development of the parcel commences. Permitting would be required through Division of Oil, Gas and Mining and Utah County.

### **Discussion and Recommendation**

It is anticipated that aggregate sources that are close to civilization will continue to see increased social and environmental pressures as the population of Utah increases. Parcels such as this will become more and more likely for aggregate development with time. This proposed agreement would be advantageous to both SITLA and JDH. It would provide JDH with a sustainable supply of aggregates for many years, and supply SITLA with royalty revenues for the same time period. The opportunity to lease the lands to a company that is a strong producer with a known track record is a positive for the Trust. In addition, JDH has agreements with adjacent properties to allow for long-term aggregate production. If JDH elects to move forward and exercise the lease option enabled by the proposed OBA then the Trust will receive the above listed bonus payment, which is comparable to what would be expected if the lands were to be offered competitively.

The Minerals Group recommends Board Approval of the proposed OBA.