



**State of Utah
School and Institutional
Trust Lands Administration**

Board of Trustees Meeting Agenda

December 10, 2019

10 a.m.

Location: SITLA Offices 6th Floor Boardroom
675 East 500 South, SLC UT 84102

1. Welcome

2. Approval of Board Meeting Minutes

- October 9, 2019

3. Confirmation of Upcoming Meeting Dates

New in 2020: 2nd Thursday at 10:00 a.m.

- January 9th - Regular Meeting
- February 13th (only if needed)
- March 12th Regular Meeting
- April 9th Regular Meeting
- May 13th – 14th Board Tour and Meeting

4. County Advisory Committee, Utah Tribes, and Public Comment Period

5. Chair's Report

6. Advocate Report

- Justin Atwater, Director, Trust Lands Protection & Advocacy Office

7. Notification and Discussion Items

- a. Willow Springs Land Exchange Update
 - Chris Fausett, Deputy Assistant Director, Surface
- b. November Land Sale Auction Results
 - Diane Lund, Executive Assistant, Surface

8. Director's Report

- a. Notification of Current Events
 - Dave Ure, Director

- b. GRAMA Overview Presentation
 - Brigid Carney, Paralegal
- c. Proposed Major Transaction – USU-Moab Development Project
 - Troy Herold, Project Manager, Planning & Development

Closed session pursuant to Utah Code §52-4-205(e), strategy sessions to discuss the sale of real property near Joe’s Valley, Emery County, and discussion of the character, professional competence, or physical or mental health of an individual(s) in connection with new Assistant Director hires.

9. Director’s Actions (continued)

- d. Proposed Negotiated Sale – 160 acres near Joe’s Valley, Emery County – C-26849
 - Kim Christy, Deputy Director, Surface & External Relations

10. Adjourn

Items may be heard in any order, at any time, at the Board’s discretion. Board members may participate in the meeting electronically.

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, at least three (3) days in advance.

I, Lisa 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, SLC, Utah 84102. *Posted and dated on the 1st day of December, 2019.*

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Proposed Major Transaction

USU-Moab

Development Project

MEMORANDUM

TO: **Board of Trustees
School and Institutional Trust Lands Administration (SITLA)**

FROM: **Troy Herold, Project Manager**

RE: **Proposal for Major Transaction
USU Moab Development Project**

Date: **December 10, 2019**

Fund: **Schools**

The Real Estate Committee discussed this item at its November 14, 2019 meeting and recommended moving forward.

Staff proposes a Major Transaction related to the housing and mixed use development of 320 acres surrounding the new USU Moab Campus. Prior to entering into lease negotiation on a Major Transaction, the Board of Trustees must approve the process, goals, and timeliness of the proposed transaction. After the requested approval to move forward, staff will enter into detailed lease negotiations with the selected developer before presenting a proposed Development Lease to the Real Estate Committee and, ultimately, the Board of Trustees for final approval.

Background

The USU Moab parcel is located within Moab city limits (Figure 1) and consists of 320 acres that surround the new 40-acre USU Moab Campus (Figure 2). USU Moab's role in this SITLA project is as a co-operating neighbor/partner, and is *NOT* as a beneficiary. Schools is the beneficiary of the 320 acres surrounding the campus.

Of the 320 total acres, approximately 65 acres are developable. The rest of the property includes some areas of significant rock fall (cliffs), steep slopes, washes and drainages. There are also several large utility (power & gas) lines that cross the property.

In 2012, SITLA, USU Moab, and the City of Moab jointly developed an overall Campus Master Plan (Figure 3) and the property was annexed into the city with a pre-annexation and development agreement. That agreement provides that SITLA will develop according to the 2012 Master Plan and city land use approvals. The property was appropriately zoned for multifamily and commercial development. Since 2012, staff have coordinated with and supported USU Moab to refine the first phase of the campus plans and the plan to bring infrastructure up to the site.

SITLA's portion of the Master Plan (housing and commercial uses) consists of 1,180 residential units and approximately 2 acres of commercial/transitional uses. The residential units break out as follows:

- 425 student housing/apartment units
- 630 traditional multifamily units
- 125 single family units
- 1,180 residential units

In 2015, USU Moab completed a feasibility study for the first phase building. Staff used that work to refine the campus and multi-family housing programming and held several public meetings in Moab to get feedback on the overall housing plans for the project. The project appears to be highly supported by the Moab community, which has a desperate need for affordable and entry level housing.

In 2017, the Board of Trustees approved a \$250,000 capital expenditure to partner with USU Moab, the City of Moab, and, with additional funding from the Community Impact Board, to complete the initial construction and extension of Mill Creek Drive to the USU Moab Campus. The final design of the roadway was agreed between the partners (SITLA, USU Moab, and City of Moab) in early 2018.

Anticipating a fall 2018 construction start to the roadway, staff released a Request for Qualifications ("RFQ") for a development partner in the summer of 2018. There was only one formal response to the RFQ. Staff realized the 2018 RFQ was premature after discussions with various prospective partners that raised too many questions regarding the timing of the campus and roadway projects. Staff elected to wait to re-issue an RFQ until the roadway extension was constructed and USU Moab had funding in hand for the first campus building, providing certainty to the development community.

Construction of the Mill Creek Drive Extension was completed in summer of 2019. A ribbon cutting ceremony was held on September 19, 2019, at which time the City officially renamed the street to Aggie Boulevard. The Utah Division of Facilities and Construction Management ("DFCM") released on May 10, 2019 a Request for Proposal and Solicitation ("RFP") for the first USU Moab Academic Building. As part of that RFP, DFCM established a draft schedule for completion of the first building, which is anticipated to be in time for autumn 2021 classes.

With the start of roadway construction and a defined schedule for the first campus building, the timing was right to seek a development partner. Staff issued a second RFQ on May 31, 2019 with a deadline of September 6, 2019. Staff received significant market interest in the project and three qualified responses.

Key Information

Board policy requires the following key transactional information to approve a Major Project:

Property Value: Based on comparable land values, the entitlements received to date, and the preliminary project proforma developed, staff estimates the project current value at \$6.5M.

Financial Goal: Staff analysis indicates that the market is ready for SITLA to start monetizing the project's land value and recoup the capital expenditures spent to date. The small size of the Moab market will yield an absorption rate of 15-20 years for project buildout. Therefore, it is in the best interest of the beneficiary to identify a strong master developer to guide the project going forward.

Timeliness: The roadway connection to the campus through a portion of SITLA's property has been completed. Additionally, USU Moab's first campus building is in the final design process with a projected ground-breaking in spring 2020 and completion in June 2021, with classes beginning at the new facility in fall 2021.

This is an excellent time to secure a master developer to work out the final details of the residential portions of the project and to begin development of both apartment-style housing to support USU Moab and multifamily housing for the overall community. SITLA's development partner will need 9-12 months to complete both the remaining internal steps (lease negotiation and final Board approval) and to finalize the project's remaining entitlements, engineering and permitting for the first housing phase. Then, development construction can start by fall of 2020 in order to put housing products on the market at the same time that USU Moab is completing the first campus building. The Moab market has a desperate need for both apartment-style and entry-level housing that this project has been designed to support for both USU Moab and the Moab community. Additionally, this project fits a market niche that does not compete with SITLA's other projects in the Moab area.

Contemplated Transaction Structure: Staff envision a long-term Development Lease with a master developer that allows for a percentage of the gross finished-unit sales, gross land sales and, at the SITLA's option, a percentage of gross revenue from commercial or apartment projects as appropriate. SITLA would have final approval of all final planning documents and any vertical development partners (ie: home builders) for the project. The selected developer would have to meet performance objectives and milestones to keep the project moving forward.

Financial Requirements: The RFQ explicitly requested financial information in the submission to demonstrate the developer's staying power for a long term project. The selected developer has both significant resources to see the project through construction and has a long-term interest in the Moab area.

Competitive Process: The 2019 RFQ was released on May 31st with a closing date of September 6, 2019. The RFQ was posted to the Trust's webpage and noticed directly to Moab City and USU Moab stakeholders. Advertisements were placed in the South East Utah Real Estate Happenings Magazine (available for free in many Moab-area locations) as well as in the Salt Lake Tribune/Deseret News. The RFQ was also sent to the following:

- Local professional organizations with a request to share with their clients (AIA, APA, ASLA, and Utah-HBA),
- Utah Property Ombudsman's office, which shared it with their list of apartment and affordable housing developers, and
- Known apartment, housing, and land developers.

Staff received numerous phone calls about the project and held one-on-one meetings with multiple potential developers.

Staff received three qualified responses. Staff established an internal interview committee, which met with all three qualified respondents. A second interview with the preferred developer was also held to respond to some questions that arose and to confirm this developer would be the right fit.

Conclusion

Staff believe the project is ready to take to market with a master developer. The preferred development partner on this project is GWC Capital, LLC. (GWC). The project is not conducive to one particular 'type' of developer or builder and, therefore, needs a developer that can handle all types of the anticipated development. GWC is a strong land developer that can immediately bring assets to the project to work on the land infrastructure (roads, utilities, site work). GWC has long-term interest and existing assets in Moab. GWC also has the ability to construct or partner with the vertical builders for each phase or type of construction.

Requested Action

Staff requests Board concurrence to move forward and to finalize the proposed transaction through a Development Lease and offers the following proposed motion:

"Move for staff to proceed into negotiations with GWC Capital, LLC on a Development Lease, which will be reviewed by the Board at a future date."

Figure 1 - Project Site in Moab

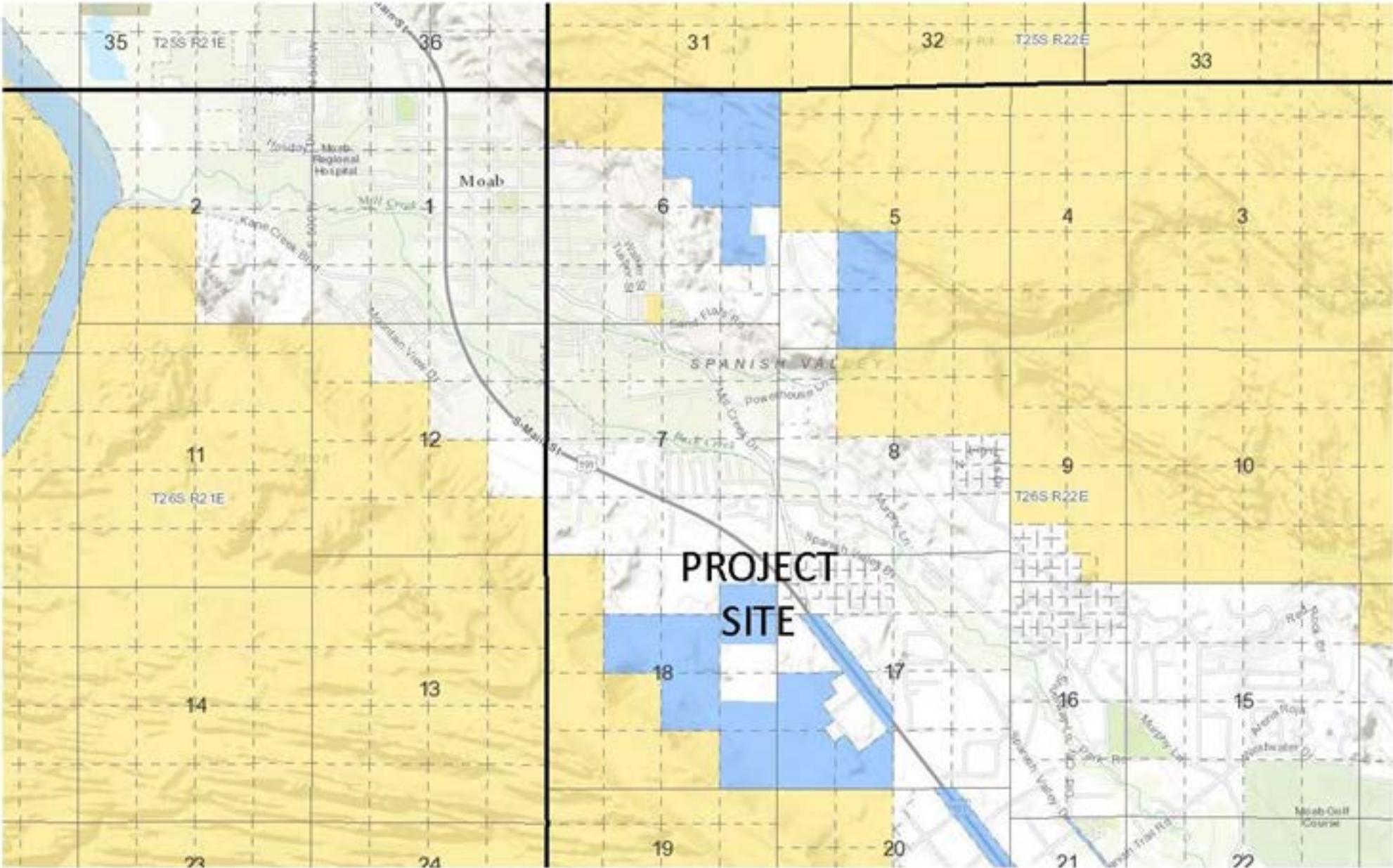


Figure 2 – Project Location
(trust lands shown in blue)

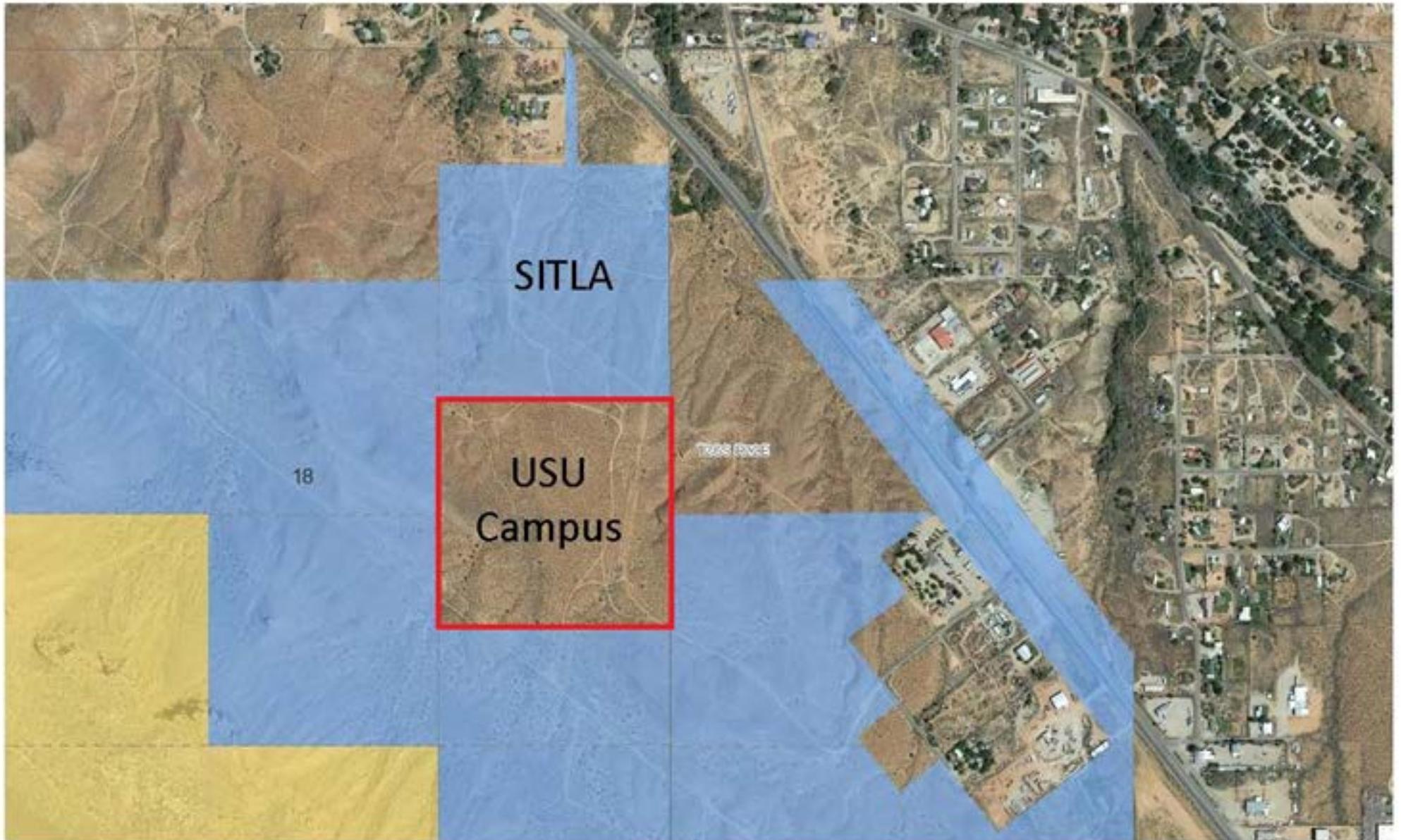
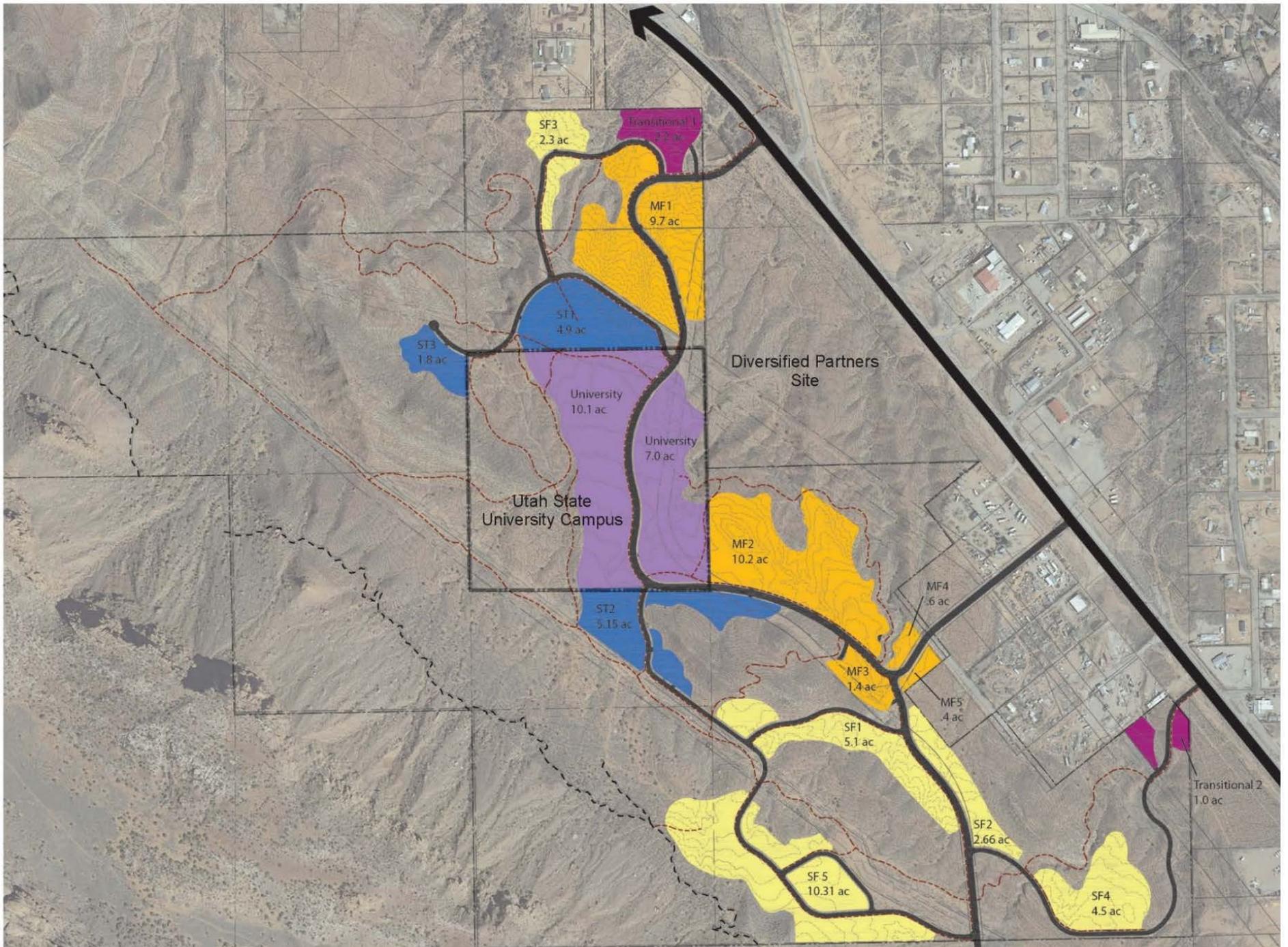


Figure 3 – 2012 Master Plan



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Proposed Negotiated Sale

160 Acres Near Joe's Valley, Emery County

MEMORANDUM

DATE: November 20, 2019

TO: SITLA Board of Trustees

FROM: Kim Christy, Deputy Director – Surface
Bryan Torgerson - Resource Specialist – SE Utah

SUBJECT: Proposed negotiated sale of 160 acres of land near Joe’s Valley, Emery County
C-26849

FUND: Schools

The Agency is requesting board approval to sell 160 acres of property in the Cottonwood Creek area near Joe’s Valley Reservoir in Emery County to Wolverine Fuels via a negotiated sale. Formal Board approval of this negotiated sale is required pursuant to Utah Administrative Code R850-80-620(3), as the proposed negotiated sale had other interested parties.

BACKGROUND INFORMATION

The property proposed to be sold is as follows (see attached map):

Township 17 South, Range 6 East SLB&M
Section 36: E2E2 (160 Acres more/less)

This property was granted to the Trust through the Utah Enabling Act at statehood with the public schools as beneficiary.

The Trust owns significant coal reserves in the area of the proposed sale parcel known as the Cottonwood tract, most of which were acquired from the federal government in 1998 as part of the Grand Staircase-Escalante National Monument Land Exchange. These reserves are currently leased to Wolverine Fuels under ML 51191-OBA and ML 51192-OBA. It is estimated that the development of these coal reserves could bring \$30 million in revenue to the Trust.

In the past decade, Emery County has seen an increase in recreational tourism which is related to a specialized rock climbing sport called “bouldering”. The main spot for this recreational sport is in the Straight Canyon and the Cottonwood Creek areas, and some of it takes place on and in the vicinity of the subject parcel.

PROPOSAL

Wolverine Fuels petitioned the Trust to sell the subject property to them via negotiated sale. Wolverine intends to reopen the Trail Mountain coal portal in order to develop their coal resources in the area, the majority of which include the Trust's Cottonwood tract, and have stated that the acquisition of the subject parcel is critical to the development of those resources. They intend to use the subject property for waste rock storage, coal piling, and staging areas.

NOTICE/ADVERTISING

Pursuant to R850-80-620(1) and R850-80-615 the Trust solicited competing interest via notices sent to adjacent landowners and lessees/permittees of record, a notice posted for public viewing at the Emery County Courthouse, and a notice published in the local Emery County newspaper for three consecutive weeks. The advertising period ended on November 15, 2019. The following competing bids were timely received:

- 1) \$53.62 per acre (\$21,754.28, plus \$8,578.72 closing costs, \$30,333.00 total)
BBJC Investment Co. LTD
ATTN: Scott H. Smith
2690 Telemark Drive
Park City, UT 84060

- 2) \$800.00 per acre (\$128,000.00 total)
Wolverine Fuels
Attn: Ryan Wilson
1401 North 1st Street, Suite A
Grand Junction, CO 81501

BID EVALUATION/PROPOSED ACTION

The subject property was appraised by an independent third-party appraiser, the value of which was not disclosed to the bidders. Only one of the two bids exceeded the appraised value. It is recommended that the Trust proceed with a negotiated sale of the property to the high-bidder, Wolverine Fuels, for the bid amount of \$128,000.00. Proceeding with this transaction is in the best interest of the beneficiary for the following reasons:

1. The bid amount exceeds the appraised value of the subject property
2. The bid amount exceeds the net present value of a 30-year fair market value lease
3. Selling the property will allow the Trust to avoid any potential environmental liabilities associated with the petitioner's proposed uses of the property
4. The acquisition of the property by the petitioner is a critical component to the development of the Trust's coal reserves

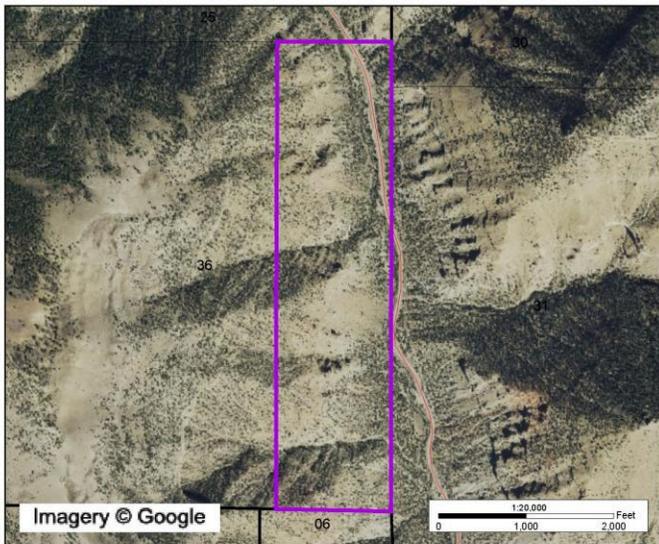
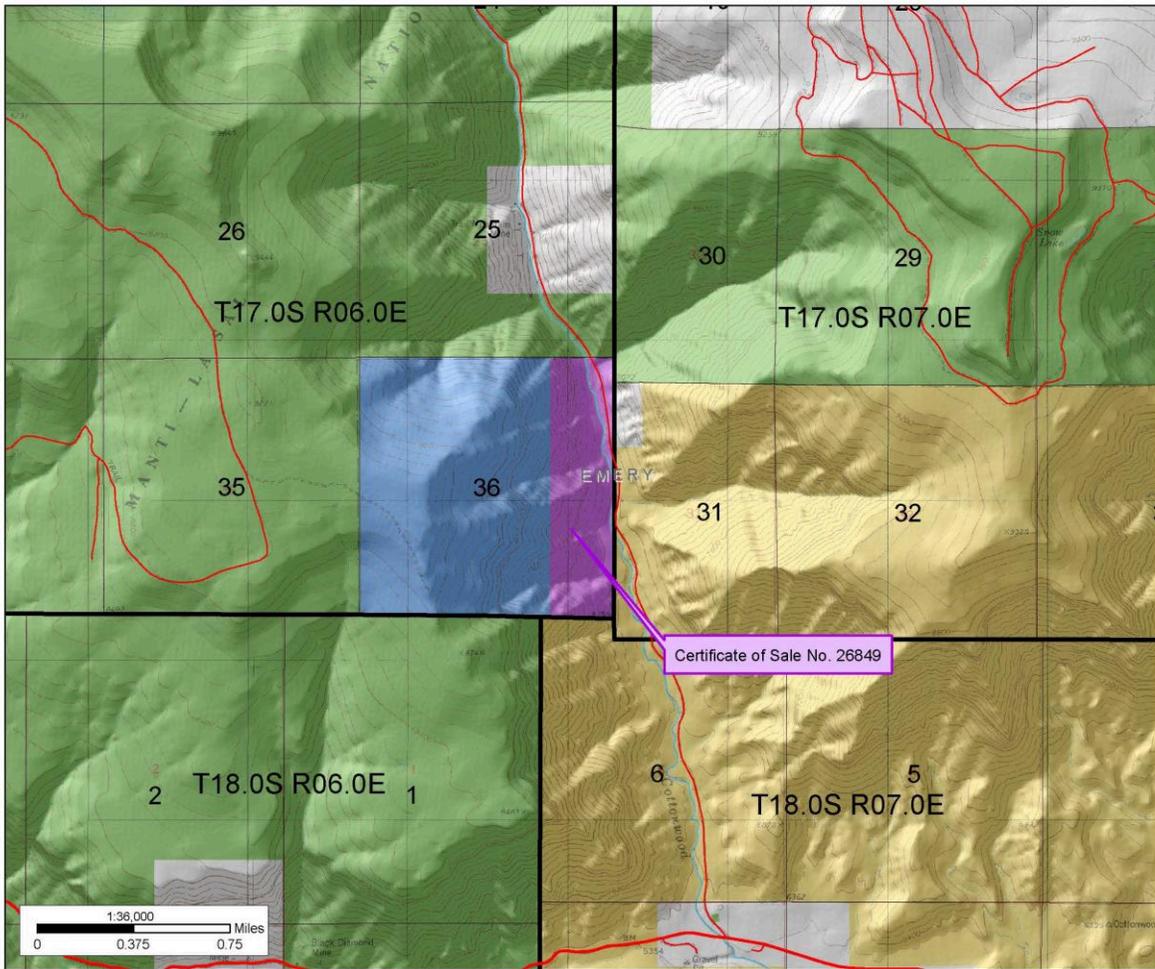
The purchase would be structured as a cash transaction, no financing will be offered by the Trust.

BENEFICIARY ALLOCATION

Revenue from the sale of this property will go directly into the school permanent fund at the time the sale is consummated.

RECOMMENDATION

The Agency believes it is in the best interest of our beneficiaries to sell the property for \$128,000.00 plus closing costs. The Surface/Water Rights Committee reviewed this proposed sale and recommended that it be brought before the full board for consideration and final action.



Certificate of Sale No. 26849
Cottonwood Creek (Joe's Valley)
 Township 17 South, Range 6 East SLB&M;
 E2E2, Section 36;
 Emery County

September 17, 2019 SITLA

Land Ownership and Administration

- Bureau of Land Management
- Bureau of Reclamation
- Bankhead-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

■ Certificate of Sale

State of Utah
 Salt Lake International
 Trust Lands Administration

Coordinate System: NAD 1983 UTM Zone 12N
 Projection: Transverse Mercator
 Path: V:\GIS\GIS_Review\InSales\PS\AerialTopoTemp_PS.mxd

Data represented on this map is for REFERENCE USE ONLY and is not suitable for legal engineering, or surveying purposes. Users of this information should review or consult the primary data and informational sources to ascertain the usability of the information. SITLA provides the data in good faith and shall in no event be liable for any incorrect results, or any special, indirect or consequential damages to any party, arising out of or in connection with the use or the inability to use the data hereon.

Land parcels, lease boundaries and associated SITLA data layers may have been adjusted to allow for visual "best fit." The Surface Ownership Land Status data (if present) are maintained by SITLA to reflect current trust land status and surface ownership. Lakes, rivers, streams, highways, roads, county and state boundaries are distributed by the Utah Automated Geographic Reference Center and/or other sources as specified. Contour lines (if present) were generated from USGS 10 meter DSM.

Please Note: While SITLA seeks to verify data for accuracy and content, discrepancies may exist within the data. Acquiring the most updated SITLA ownership GIS data may require contacting the GIS staff directly 801-538-5100 or TLA-GIS@utah.gov. The SITLA GIS department welcomes your comments and concerns regarding the data and will attempt to resolve issues as they are brought to our attention. Color Aerial Photo (Google Imagery, 6 inch High Resolution).