

The Board of Trustees
of the
School and Institutional Trust Lands Administration

New Policy *Amends Policy No.* *Repeals Policy No.*

Policy Statement No. 2006-03

*Subject: Real Estate Development on
Trust Lands*

The Board of Trustees of the School and Institutional Trust Lands Administration met in open, public session on May 18, 2006, and by majority vote declares the following to be an official policy of the Board:

The Development Program is a significant departure from traditional public land-management activities. As such, it has inherent risks not usually experienced in government coupled with significant potential to generate revenue. In order to manage the risk associated with real-estate development while extracting the highest values possible, the Board of Trustees adopts the following policy:

1. Development transactions should allow for appropriate scrutiny. Financial analyses should be conducted to justify dedication of land and capital resources to the transactions.
 - a. Prior to engaging in a development project, the Administration will establish an initial land/asset value, consistent with prevailing market conditions.
 - b. Economic analyses to determine the level of development activity, if any, will compare the anticipated Present Value of the proposal with the initial land/asset value.
 - c. All economic analyses performed by the Administration will use a consistent and justifiable discount rate of return.
 - d. The Administration will document direct and indirect costs associated with development projects in order to provide reliable data to evaluate project performance.
 - e. After initial review or approval by the Board of Trustees, the Administration will provide periodic status reports of the project.
2. Recognizing that each parcel of property and each development opportunity will have different internal and external characteristics, the Administration will choose the development methodology best suited for that particular project.
3. Unless review and concurrence are provided by the Board of Trustees, development transactions will take advantage of competitive processes prior to selecting and engaging development partners or buyers. After selection of a

development partner, the Administration may continue to engage in negotiations to refine the proposal to protect the interests of the beneficiaries.