

Agenda



Board of Trustees Meeting Agenda

April 9, 2020

10 a.m.

Notice regarding special restrictions for this electronic meeting

In light of federal, state and local COVID-19 guidelines, and pursuant to the Governor's Executive Order No. 2020-5, this Board of Trustees meeting will be held via electronic means only. No anchor location will be used, and members of the public will not be allowed to attend this meeting in person. Board Members will participate via teleconference. The public may listen to the meeting live at <https://youtu.be/y3k6sZKOFpk>, and may view applicable materials on the Utah Public Notice website. Interested parties, including members of the public or representatives of county governments or Utah Tribes, may submit questions or comments via email to lsjones@utah.gov. Comments should be submitted by 8:30 a.m. on April 9, 2020, and will be noted during the meeting under agenda item No. 4. Copies of submitted comments will be provided to Board members prior to the start of the meeting and will be made part of the record of the meeting.

1. Welcome

2. Approval of Board Meeting Minutes

- March 12, 2020

3. Confirmation of Upcoming Meeting Dates

- May 13th – 14th Board Tour and Meeting (?)
- June 11th Regular Meeting
- July 9th Only If Needed
- August 13th Regular Meeting
- September 9th – 10th Board Tour and Meeting
- October 8th Regular Meeting
- November 12th Regular Meeting
- December 10th Only If Needed

4. Comment by the public, county government representatives, and Utah Tribes

Any public comment received via email as noted above will be noted during the meeting at this time.

5. Chair's Report

- Subcommittee Assignments

6. Advocate Report

- Justin Atwater, Director, Land Trusts Protection & Advocacy Office

7. Notifications

Notification items do not require Board action and are only informational. Staff is prepared to discuss any of the items if a member of the Board requests it.

- a. Notification of Minor Development Transaction – Sale of 5.7 Acre Parcel of Commercial Land in Sienna Hills
- b. Notification of Minor Development Transaction – Sale of 1.3 Acre Parcel of Commercial Land in Sienna Hills
- c. Notice of Intent to Purchase and Remodel the Fiber Optics Building in Sienna Hills and to relocate Washington City SITLA Offices
- d. Notification of Development Lease – DEVL #1204 – Quicksilver Solar, LLC

8. Director's Report

- a. Notification of Current Events
 - Dave Ure, Director
- b. Utah Mining Association Presentation
 - Brian Somers, President, Utah Mining Association

9. Board Actions

- a. Royalty Adjustment for Coal Lease ML 51745-OBA
 - Andy Bedingfield, Resource Specialist, Mining
- b. Proposed Negotiated Sale of Parcels Comprising 1,637 Acres of Land in Kane County, Red Knoll C-26867
 - Dave Ure, Director

10. Adjourn

Items may be heard in any order, at any time, at the Board's discretion. An audio recording of the public portions of this meeting, along with 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.

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 7th day of April, 2020.*

5

Subcommittee Assignments

[DRAFT] BOARD COMMITTEES FOR CONSIDERATION BY THE CHAIR

Committees	Board Members	Management Team	Beneficiary Rep.
Oil, Gas, & Mining	Roger Barrus Don Foot Dave Donegan	*Tom Faddies *Wes Adams	Justin Atwater
Development	Roger Barrus Lonnie Bullard Rick Woodbury	*Kyle Pasley	Justin Atwater
Surface & Water	Lonnie Bullard Don Foot Warren Peterson	*Michelle McConkie	Justin Atwater
Governmental Affairs	Roger Barrus Lonnie Bullard Mike Mower	*Michelle McConkie David Ure	Justin Atwater
Audit	Lonnie Bullard Warren Peterson	*Merritt Dunn Deborah Memmott David Ure	Justin Atwater
Legal	Mike Mower Rick Woodbury Warren Peterson	David Ure *Mike Johnson	Justin Atwater
Renewables			
Exchanges			
	Board Chairman makes these appointments	Director defines lead and makes appointments	Advocacy Director attends on behalf of all Benes

7a

Notification of Minor
Development

Transaction – Sale of
5.7 Acre Parcel of
Commercial Land in
Sienna Hills

Notification

TO: Board of Trustees, School and Institutional Trust Lands Administration
FROM: Aaron Langston, Deputy Assistant Director, P&DG Utah South
DATE: March 23, 2020
BENE: Schools
RE: *Notice of Minor Development Transaction—Sale of 5.7 Acre Parcel of commercial land in Sienna Hills*

Introduction

Parcel 13 is a 5.7-acre parcel zoned as “neighborhood commercial” within the Sienna Hills Planned Community Development (PCD).

Parcel 13 is a rectangularly shaped parcel that has proven to be unattractive to the development world because of the narrowness of its shape. Over the years, several developers have looked at the parcel for various uses including office spaces, apartment complexes, and small retail stores, but in the end no serious offers ever materialized.

Recently, a development company named Black Acre Holdings, LLC, submitted an offer on the subject parcel for \$4.00 per sf (\$993,168), or appraised value, whichever is greater.

Proposed Project

Black Acre Holdings, LLC has inspected the property and intends to build townhomes on the bulk of the parcel, with a commercial component at the Telegraph Road / Washington Parkway intersection. With the apartment projects on parcels 18, 14a, and 17, the developer is considering a laundromat, a daycare, or possibly a small retail shop for the commercial component. Because of the zoning, one or more of the proposed commercial projects will be mandated by the City if it is to approve the proposed townhome project.

Current Offer

The appraisal came back at \$1,400,000 (\$5.64 a foot). The buyer is willing to match the appraisal. Upon approval from the Board of Trustees, the developer will pay the \$1,400,000.

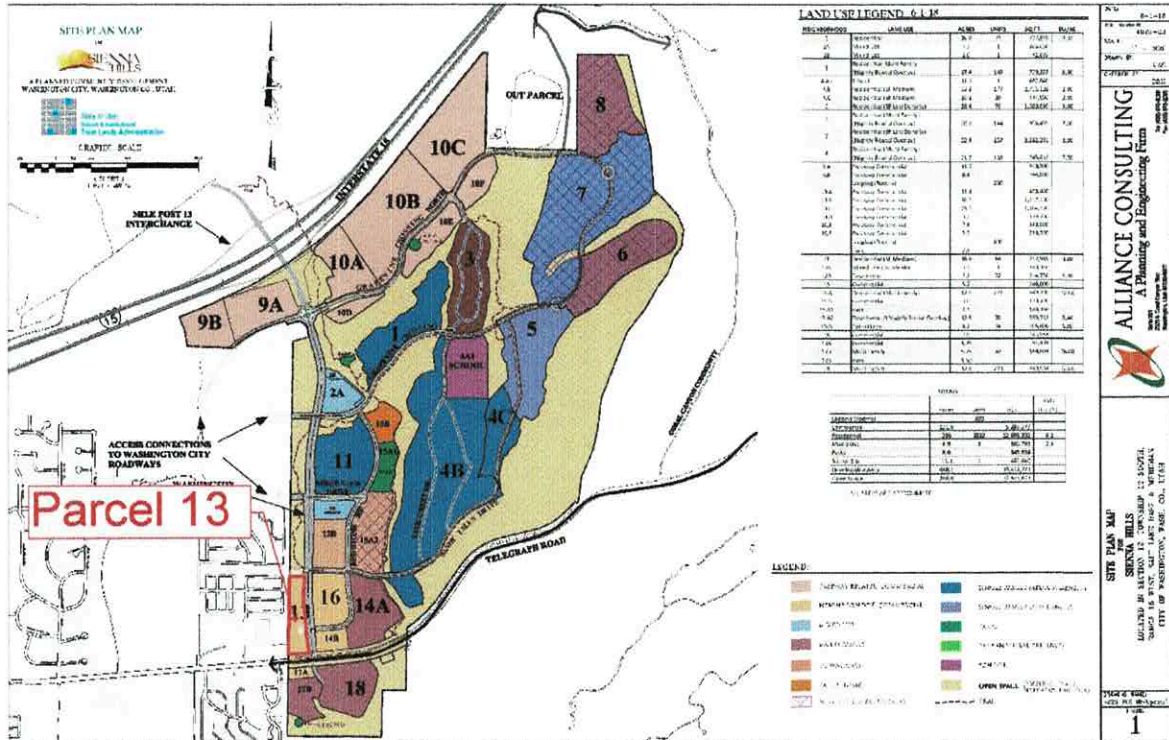
Intended Action

Staff feels the proposed project will be a great way to monetize this asset at market value and will provide at least some commercial components to an area surrounded by a lot of apartments and therefore recommends moving forward with a restriction that the buyer must close within six months from the time of approval.

This item was discussed and vetted by the Real Estate Committee on March 23, 2020.

Exhibit A

Exhibit of Subject Property



7b

Notification of Minor
Development

Transaction – Sale of
1.3 Acre Parcel of
Commercial Land in
Sienna Hills

Notification

TO: Board of Trustees, School and Institutional Trust Lands Administration
FROM: Aaron Langston, Deputy Assistant Director, P&DG Utah South
DATE: March 23, 2020
BENE: Schools
RE: *Notice of Minor Development Transaction—Sale of 1.30 Acre Parcel of commercial land in Sienna Hills*

Introduction

Lot B within the 9A Sienna Hills Shopping Center is a 1.30-acre parcel zoned as “Freeway commercial” within the Sienna Hills Planned Community Development (PCD). The lot is completely pad ready with all utilities stubbed to the site. This lot is situated directly behind the Maverik gas station.

All lots within Parcel 9A were graded and all utilities were stubbed to the site in 2007. The Maverik gas station was the first project in the development (2007), followed by the Black Bear Diner in 2017. The Trust has received offers on some of the other lots within the Sienna Hills Shopping Center, but none of them have moved forward.

Recently, Carter Restaurants dba Culvers of Cedar City submitted an offer for lot I (1.17 acres) within the Sienna Hills Shopping Center for \$10 per square foot, or appraised value, whichever is greater. However, Lots I, E, and D are essential to the proposed auto mall site, leaving only lots B or C as available alternatives. Lot C at 1.03 acres is too small for the potential buyer, leaving lot B (1.30 acres) as the only possible alternative. The proposed buyer is amenable to that location. The appraised value came in at \$12.55 per foot.

Proposed Project

The proposed project is for a Culvers restaurant.

Current Offer

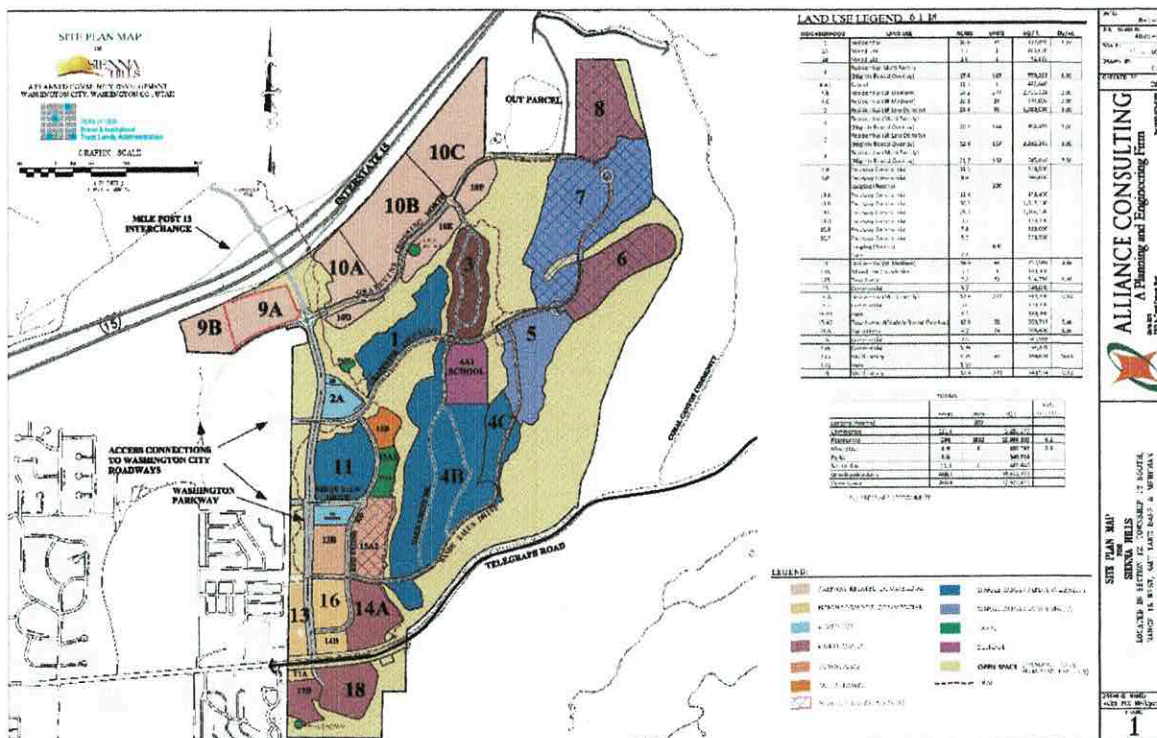
Upon approval from the Board of Trustees, the developer will pay \$710,682 (the appraised value of \$12.55 per foot).

Intended Action

Staff feels the proposed project is good fit for the Sienna Hills Shopping Center and recommends moving forward with a restriction that the buyer must close within six months from the time of approval.

This item was discussed and vetted by the Real Estate Committee on March 23, 2020.

FINAL PLAT - AMENDMENT
FOR
SIENNA HILLS SHOPPING CENTER PHASE I
OF THE
SIENNA HILLS DEVELOPMENT



7c

Notification of Intent to
Purchase and Remodel
the Fiber Optics
Building in Sienna Hills
and to Relocate
Washington City SITLA
Offices

Notification

TO: Board of Trustees, School and Institutional Trust Lands Administration
FROM: Aaron Langston, Deputy Assistant Director, P&DG Utah South
DATE: March 23, 2020
BENE: Schools
RE: *Notice of Intent to purchase and remodel the fiber optics building in Sienna Hills and to relocate Washington City SITLA offices*

Introduction

Sienna Hills parcel 2A is approximately 0.98 acres and contains one 2,500 sf office building that was constructed by MCG Southern, LLC (“MCG”), pursuant to DEVL 815, the 2005 communications agreement between Broadweave Networks of St. George LLC (“Broadweave”) and SITLA. Under that 25 year term agreement, Broadweave, would provide internet, phone, and cable services (known as the “Triple Play”) to all residents within the Sienna Hills community. No other communications provider would be authorized to install any infrastructure or conduits to provide any communication services within Sienna Hills. In return, SITLA would receive 10% of the revenue for the communication services.

Although the Agreement should work in theory, it was not successful in practicality. For a variety of reasons, including: an enraged customer base that demanded a choice in their communication provider, a building community that was fearful of developing in Sienna Hills because of the tap fees and other concerns with the sole communications provider, the 2007 recession that hit shortly after Sienna Hills was ready to be developed, and issues relating to the quality that the communication provider was providing, Broadweave was unable to operate in the black. To that end, there was danger of them not being able to continue providing services to the then-existing residents in Sienna Hills – a situation that would have left those residents without any communications providers.

Veracity Networks (“Veracity”) was willing to take over Broadweave’s dire position (and corresponding infrastructure) and, with some modification to the Agreement (such eliminating cable services from the Triple Play), continued supplying internet and phone services to the existing residents in Sienna Hills.

Eventually, SITLA and Veracity were able to modify the Agreement again, this time allowing other communication providers inside all non-developed areas within Sienna Hills. With this change, the building community rushed into Sienna Hills and development resumed. Veracity opted not to expand their infrastructure into these new areas, leaving them with a small, landlocked, angry customer base, coupled with a very expensive building lease payment to MCG for the building. By 2017, Veracity and MCG were involved in litigation that didn’t end until the end of 2019. An outcome of the litigation was that Veracity could purchase the building and assets from MCG.

With the costs of litigation, the purchase of the building and assets, and a small customer base, Veracity is now seeking to extricate itself from Sienna Hills. Luckily, Infowest has some interest in taking over Veracity’s fiber and to continue services to the existing customer base without disruption, but they do not

need the office building and if obligated to purchase or lease the entire building, will not be willing to move forward.

Intended Action

Staff recommends purchasing the Veracity building and terminating the Agreement with Veracity. The current appraisal (building only) is \$210,000. Once acquired, Staff would make some minor TI improvements and would then relocate the Washington County SITLA offices to the Veracity building. Staff would then look to either lease or sell the Coral Canyon offices and will make recommendations to the Board in the near future.

InfoWest would purchase the fiber and corresponding infrastructure directly from Veracity and would then lease back the portion of the Veracity building that houses the fiber. This lease would be on a square footage basis in place of the revenue sharing arrangement that we have with Veracity. To date, SITA has received \$80,235 in compensation under the revenue sharing Agreement – an average of just over \$5,000 per year.

It should be noted that Section 6.1 of Exhibit A within DEVL 815 obligates SITLA as Landlord to pay Broadweave (now Veracity) the appraised value of the Improvements at the expiration of the Agreement.

“6.1. Improvements. All Improvements constructed on the Property and all additions, alterations, and improvements hereto shall remain the exclusive property of the Tenant during the Term. At the expiration or termination of this Lease, any building and/or Improvements on the Property shall be a fixture and become the property of the Landlord (and Landlord shall compensate Tenant as part of the appraised value paid for the System, as defined in the License, under the License or, alternatively, the prorated value of the Improvements as part of the System in the event that Landlord is not purchasing the entire system).”

By executing this option now, SITLA does not have to buy the fiber and the corresponding infrastructure as InfoWest would do that. SITLA then benefits from a larger office, which will allow for more flexibility in the coming years.

This item was discussed and vetted by the Real Estate Committee on March 23, 2020.

Exhibit A

Picture of Site and Building

SUBJECT PHOTOGRAPHS



13--Office



14—Front of Building



15—Southeast Side of Building



16—Rear Parking

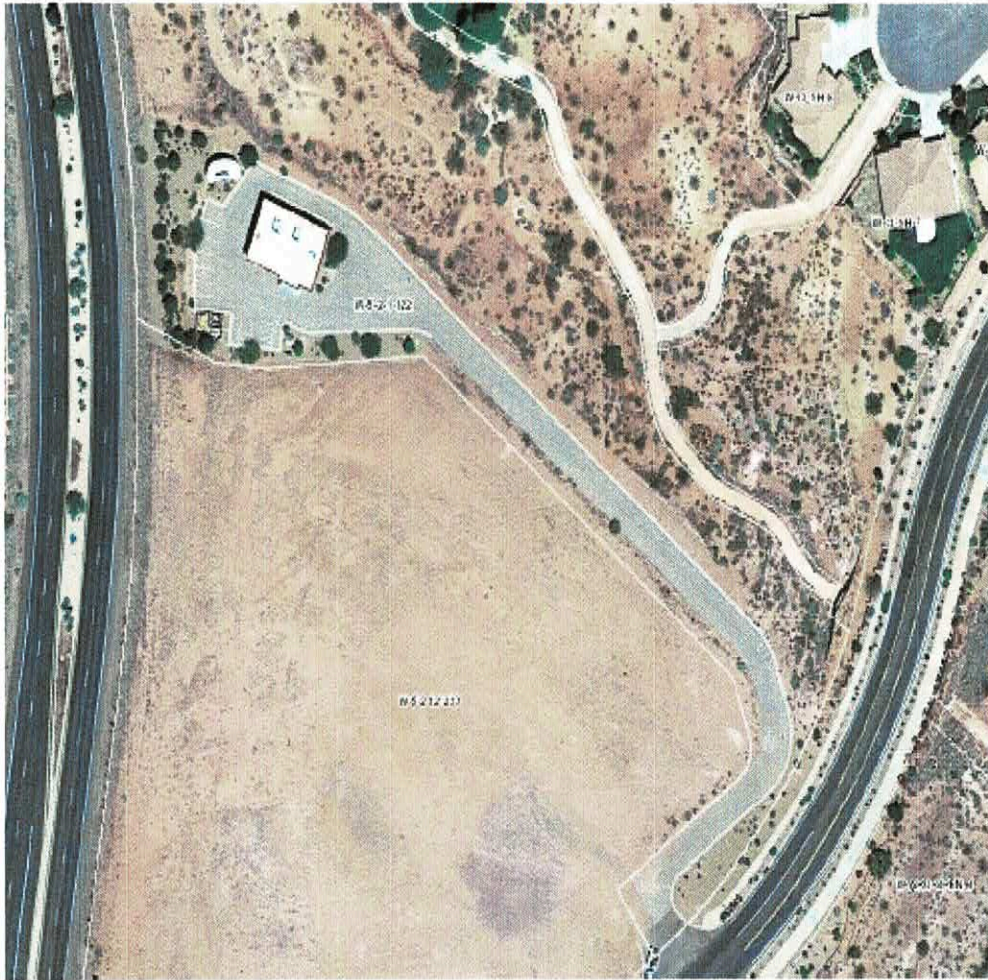


17—Northwest Side of Building



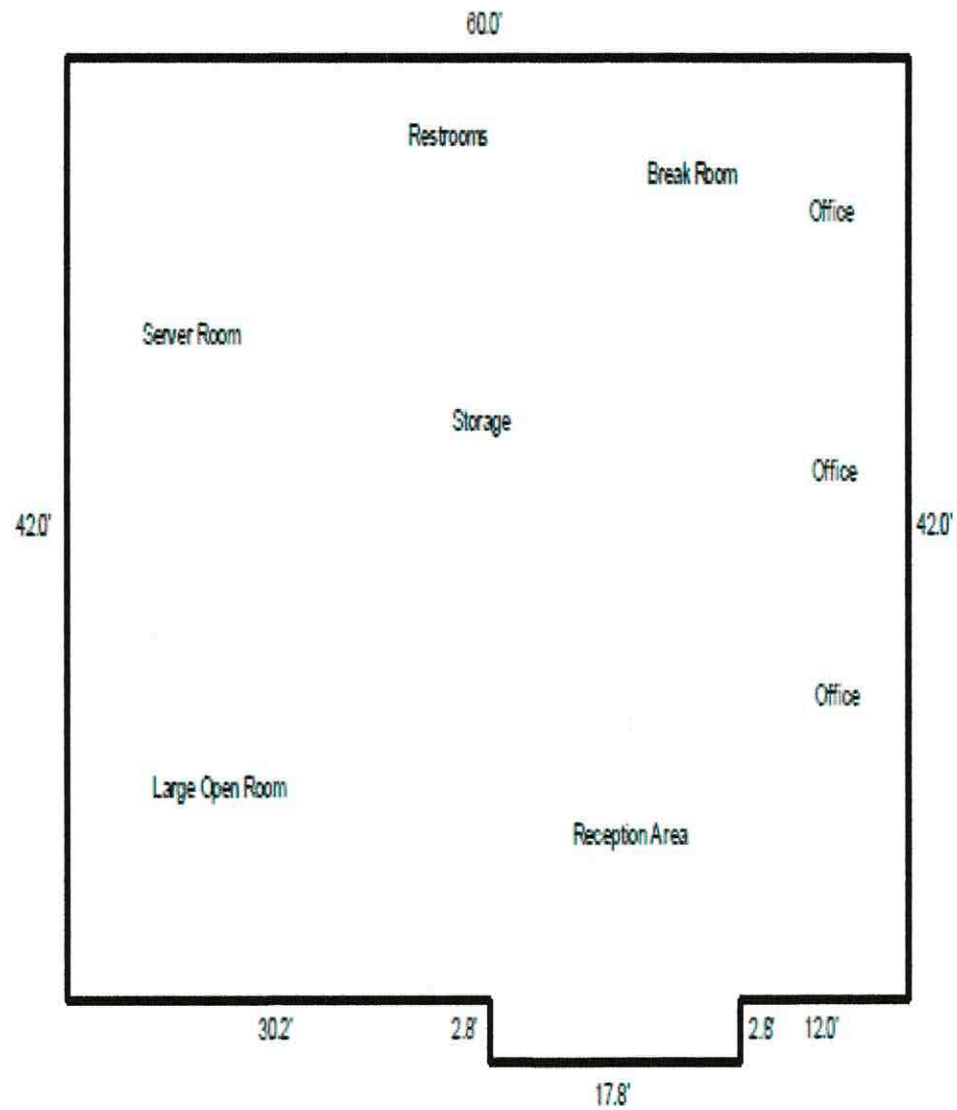
18—Satellite Dish and Landscaping

Aerial Photo



IMPROVEMENT DESCRIPTION

Building Sketch



7d

Notification of
Development Lease
DEVL #1204 –
Quicksilver Solar, LLC

MEMORANDUM

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

FROM: **Troy Herold, Project Manager**

RE: **Notification of Development Lease – DEVL #1204
Quicksilver Solar, LLC**

Date: **March 24, 2020**

Fund: **Schools**

The Real Estate Committee discussed this item at its March 23, 2020 meeting.

Summary

Quicksilver Solar, LLC has proposed to lease 252 Acres of School Trust Property in Eagle Mountain City to develop a 36MW Solar Power Generation Facility. The lease will be for up to 52 years including a 7-year pre-development phase, a 25-year base lease, and two 10-year extensions. Revenue received from this transaction will include the following:

- Lease signing bonus of \$20.50/Acre = \$5,166
- 7yr Predevelopment Phase of \$25/Acre = \$6,300/yr
- Operation Phase of Lease, Yrs 1-25 plus extensions
 - \$5,000/MW (\$180,000/yr) with Annual adjustment of 2% or CPI (whichever is greater)
- Project Revenue = \$2.95M (NPV) and \$12.94M total

Background

The Quicksilver Solar project is sited in an area that is not transmission constrained and is interconnecting into the new substation being built for Facebook's data center. It is the only interconnection directly interconnecting into the substation. Other developers have proposed interconnections ahead of Quicksilver in the queue but in order to interconnect, they will have to tap a 345 kV line at significant costs. Solar projects in unconstrained parts of the transmission system are more valuable because the power is not exposed to curtailment.

The project will need to receive final approvals from the EPA, a Conditional Use Permit from Eagle Mountain City, and final engineering design. Once those steps are complete, construction could begin (as early as 2024).

Conditions of the Lease

Staff and the Real Estate Committee have suggested a couple of conditions to be part of the lease above and beyond the standard terms of a solar lease, as follows:

- The east ½ of this section of Trust lands has potential mineral resources, Quicksilver Solar will be required to ensure access is maintained to the eastern ½ of this section and to acknowledge that mining operations may be performed on the adjacent lands,
- Quicksilver Solar will be required to complete a survey, legal descriptions, and preliminary site plan of the project to be attached to the final lease documents to ensure an accurate lease boundary and access to the east is maintained.

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.

Notification

As this is a Board Notification, no action is required by the Board.

Figure 1 - Project Site near Eagle Mountain

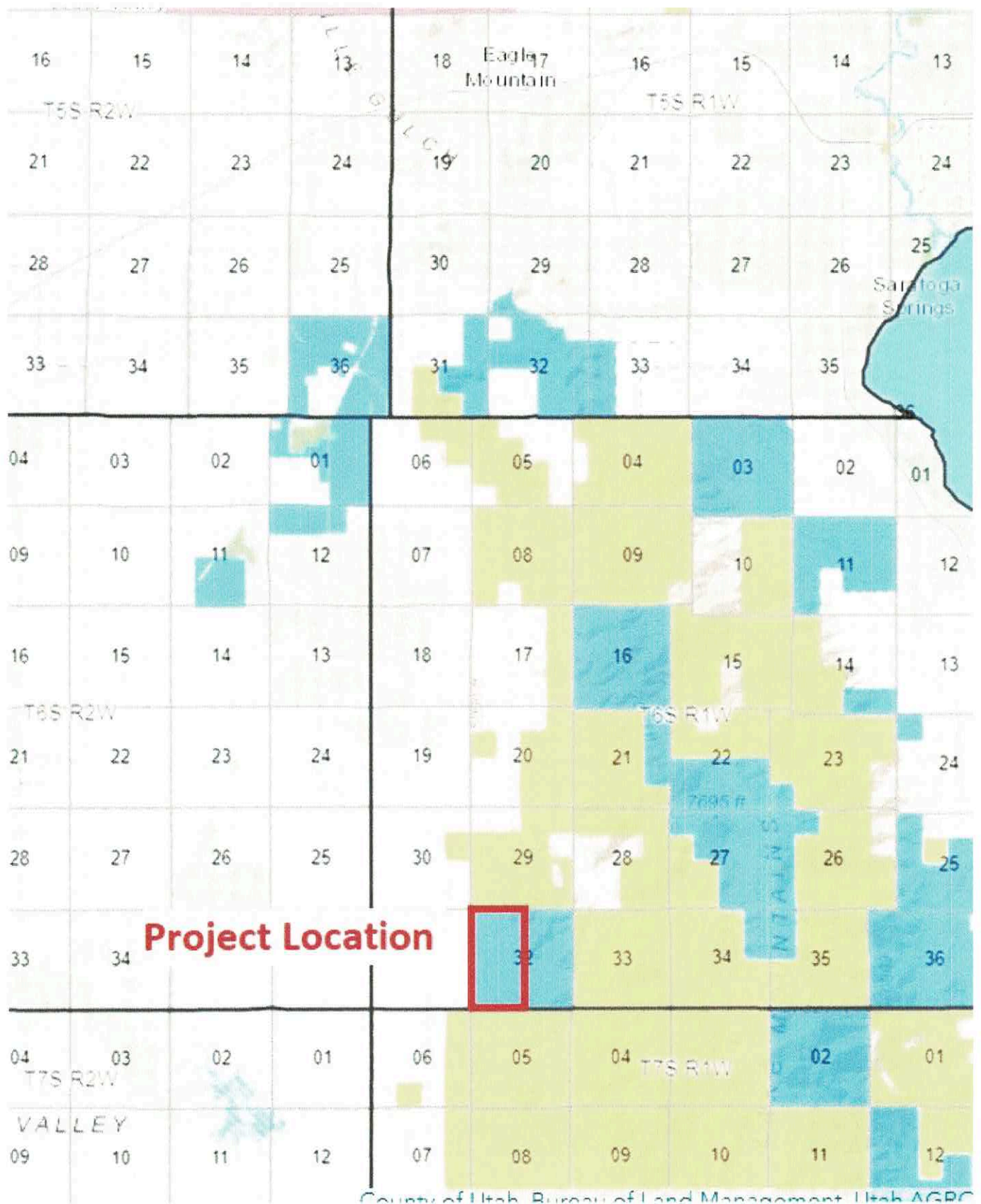
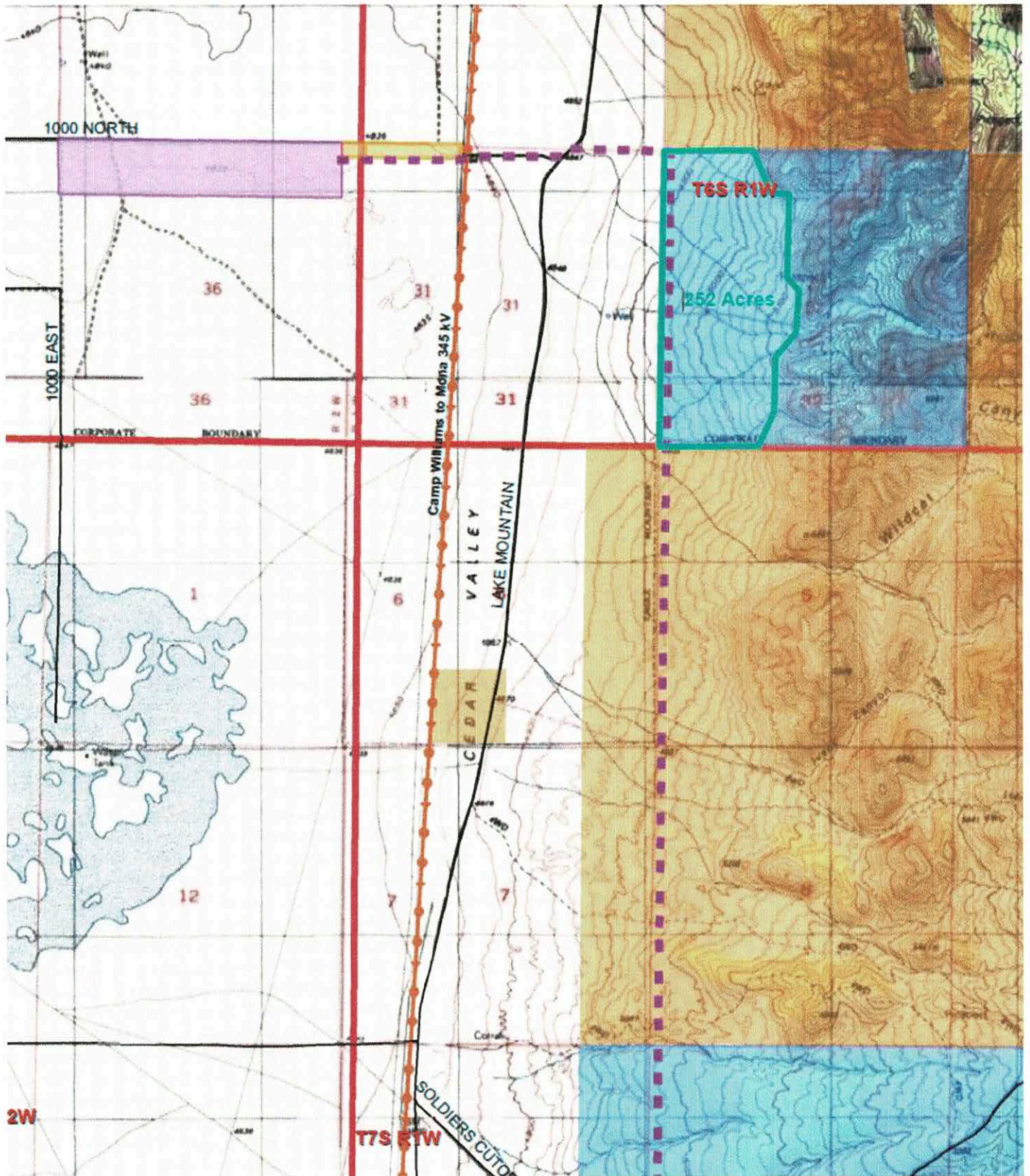


Figure 2 – Project Detail



8b

Utah Mining Association: Coal Country Overview

COAL COUNTRY OVERVIEW

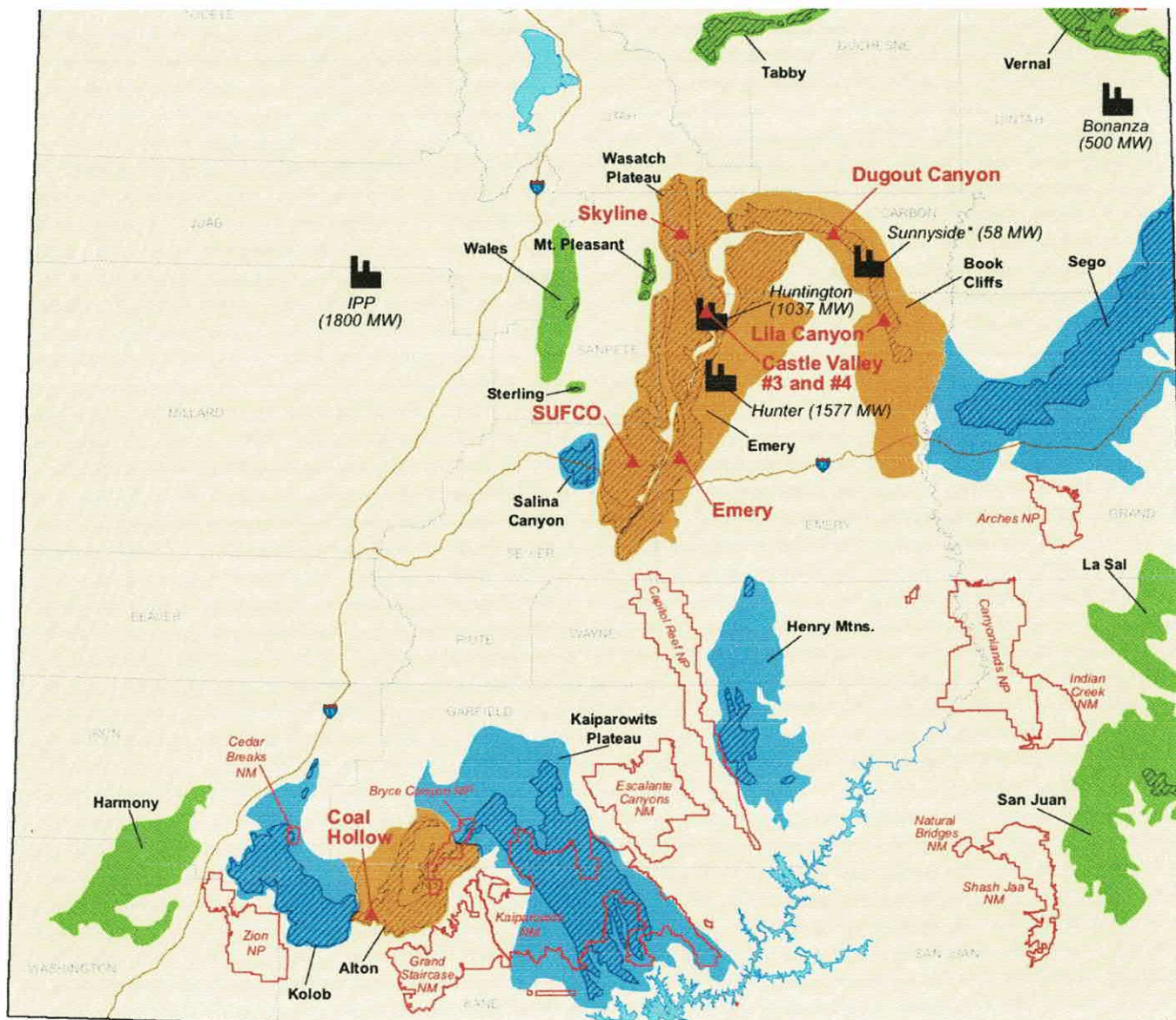
Utah Mining Association

Rural Caucus | March 6, 2020



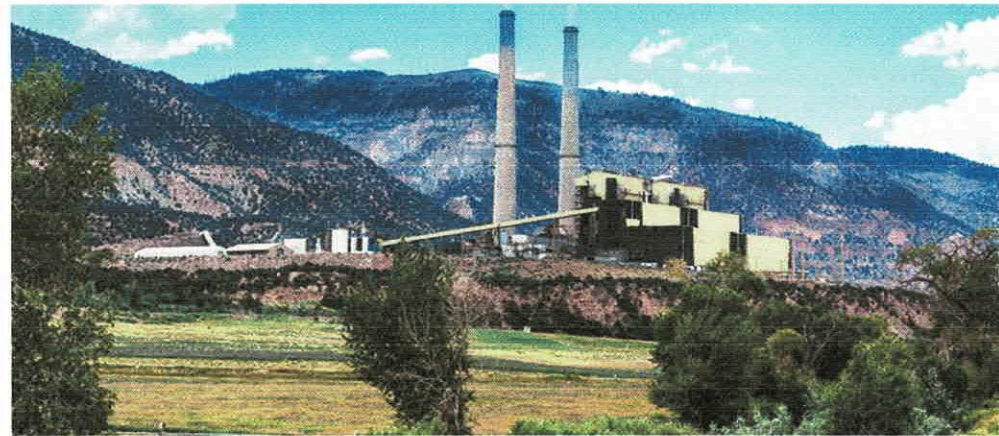


Utah Mining Association



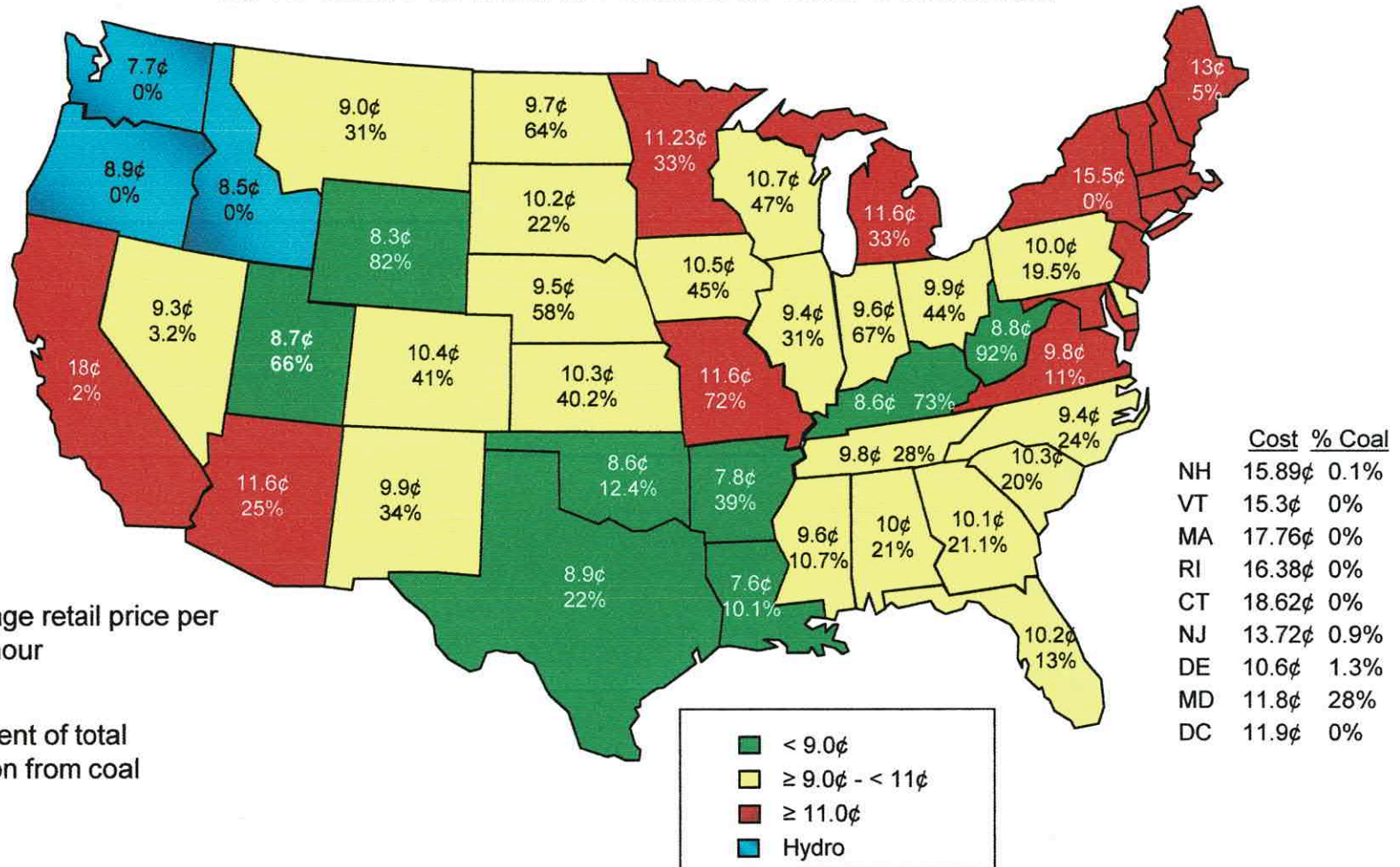
Coal dependence

44 percent of
Utah's electricity
comes from
coal-fired power
plants.



66%

2018 Cost Per kWh & Percent of Coal Generation

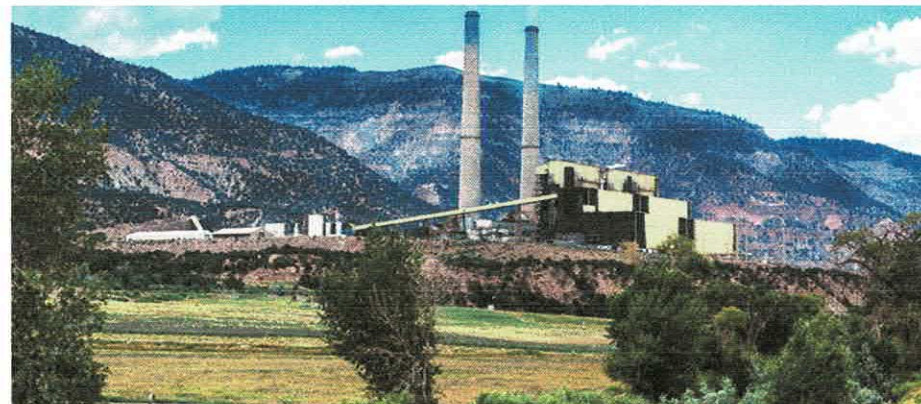


Power plants

Utah's Hunter and Huntington power plants are likely to close within the decade.



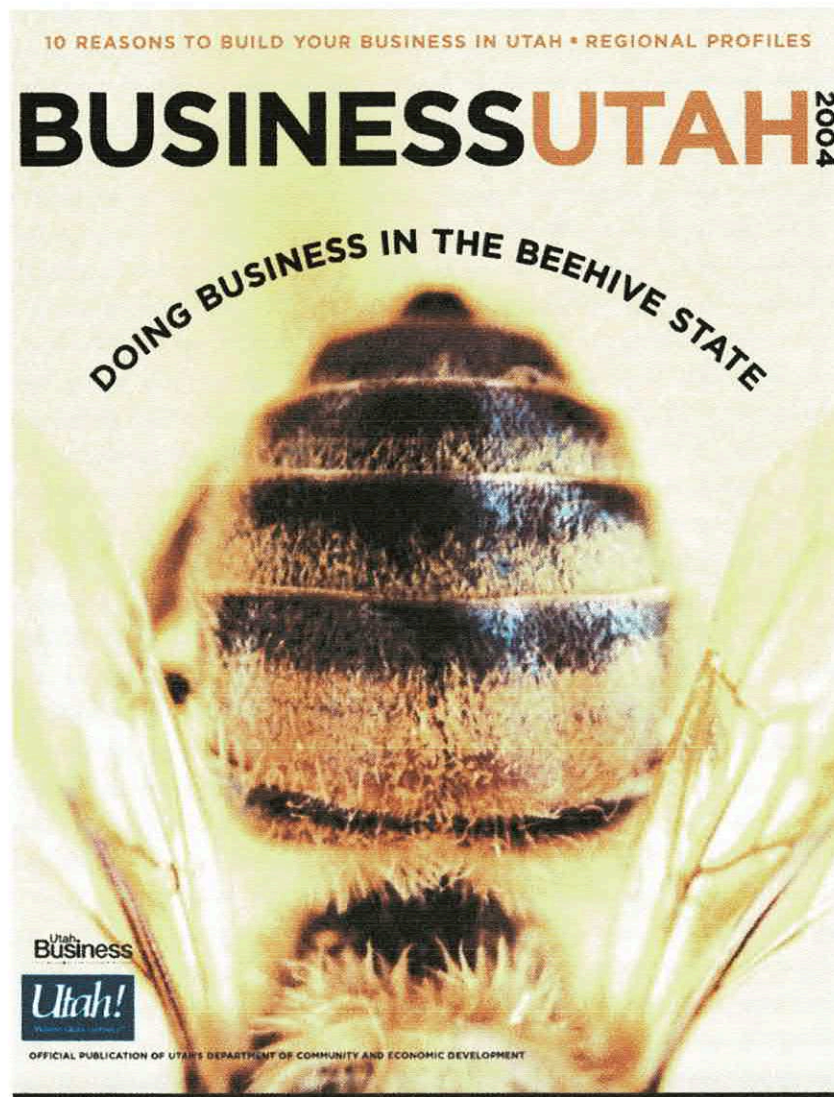
2036



2042



Utah Mining Association



Novell®



Utah Mining Association

Coal jobs

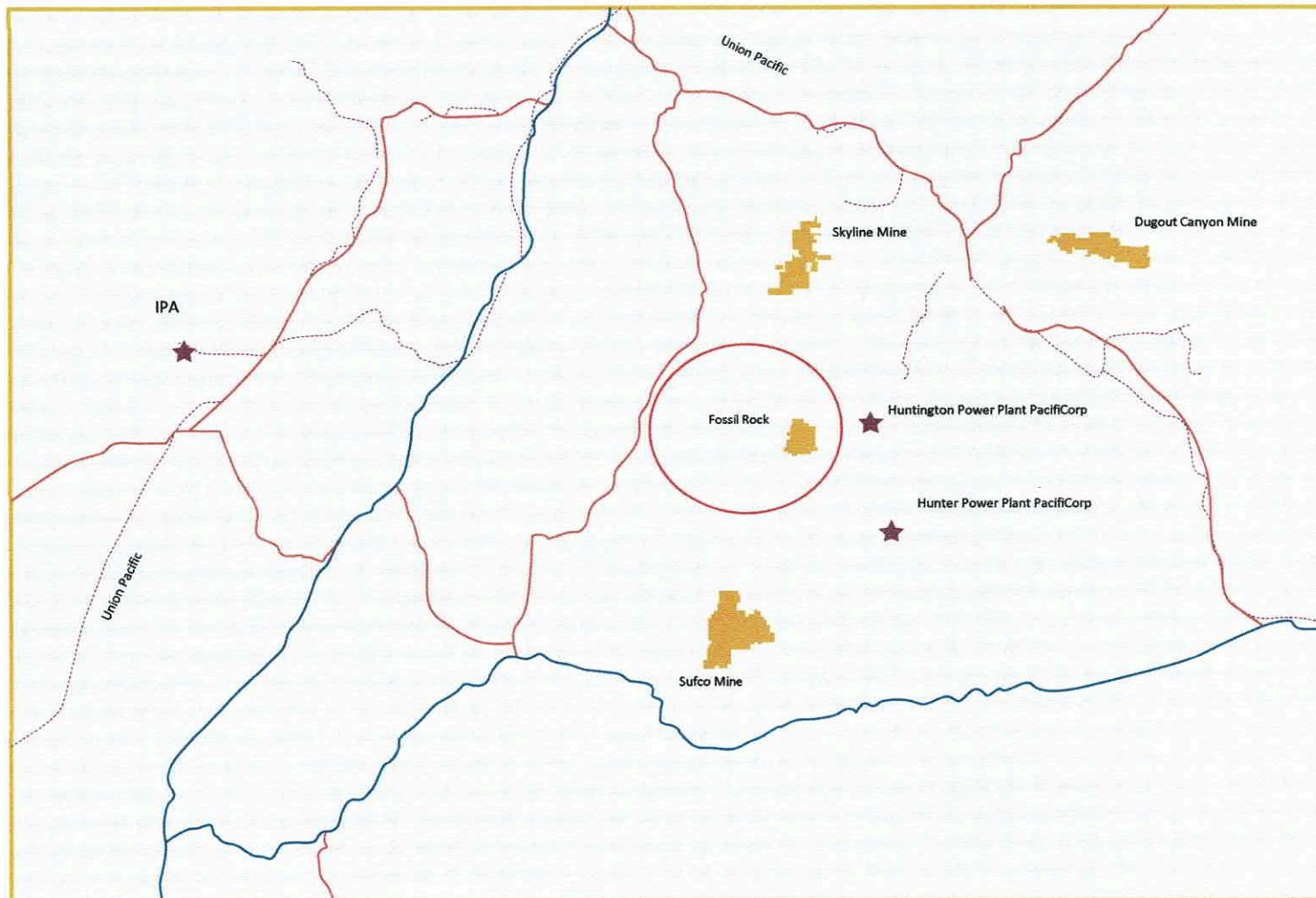
925 coal mining jobs in
Carbon and Emery
counties in 2018,
down from
2,526 in 1985.



1,316



Utah Mining Association





Utah Mining Association



- **2000GW coal power worldwide – 2018**
- **65% increase from 2003**
- **40 nations added coal generation since 2010**
- **300GW in building or planning stage**
- **22 plants in Japan**

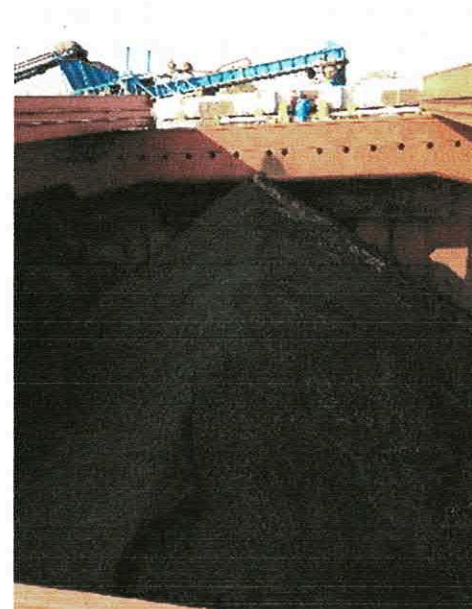


Utah Mining Association



UINTAH PREMIUM

Greatest Coal on Earth!



Emery County

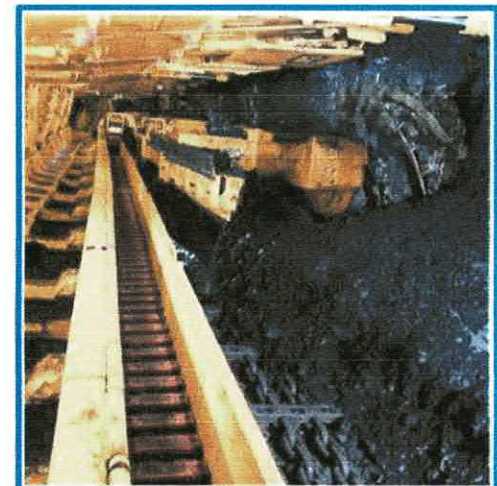
- Average monthly wages for miners 61% higher than county average
- Three of top 10 largest employers are coal mines or coal-fired power plants
- 6.4% job growth in 2018
- 4.8% unemployment
- 208 unemployed
- 109 positions needed to reach 2.3% unemployment

Mining	\$5983.00
Leisure/Hospitality	\$1,304.00
	358% greater

Emery County

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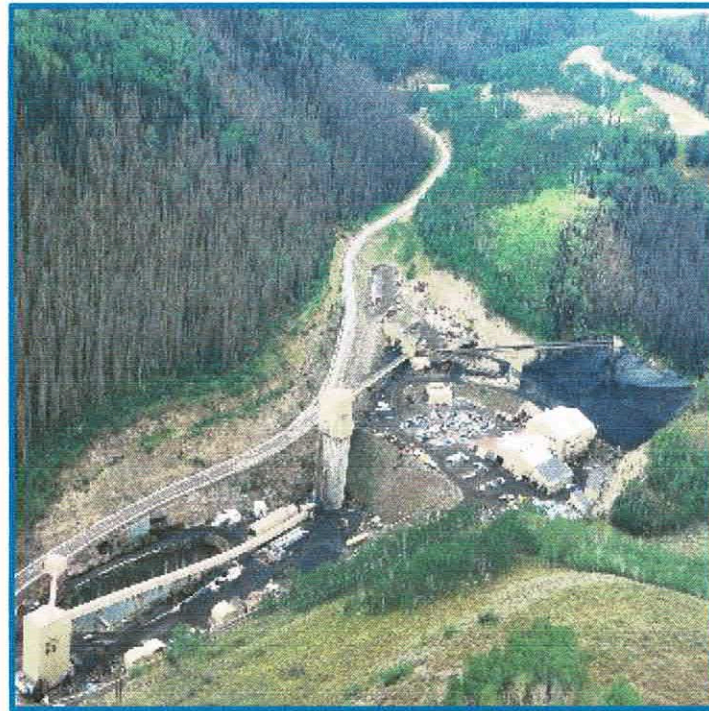
Mining	\$5983.00
Leisure/Hospitality	<u>\$1,304.00</u>
	358% greater





Carbon County

- Average monthly wages for miners 124% higher than county average
- Five of top 15 employers are mines or mining service providers
- 5.1% job growth in 2018
- 4.5% unemployment
- Lowest unemployment in 10 years





Utah Mining Association

Carbon County

Carbon County

Average Monthly Wages

Mining	\$7,542.00
Leisure/Hospitality	\$1,020.00
	639% greater

Carbon County

County Employment (2018)

Mining	836
Leisure	748
	11.8% greater

Carbon County

Aggregate Wages (2018)

Mining	\$75.9M
Leisure/Hospitality	\$9.2M
	722% greater

What Can You Do?

- Promote correct narratives about coal country
- Support coal-friendly legislation
- Engage with traditional industries
- Fund those on the ground in rural Utah, not intermediaries in Salt Lake



COAL COUNTRY OVERVIEW

Utah Mining Association

Rural Caucus | March 6, 2020



9a

Royalty Adjustment
for Coal Lease

ML 51745 - OBA

BOARD MEMORANDUM

DATED: March 18, 2020

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

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

RE: Royalty Reduction to ML 51745-OBA Emery Deep Mine

AFFECTED LANDS:

Township 22 South, Range 6 East, SLB&M
Section 29: SW $\frac{1}{4}$ SW $\frac{1}{4}$ (40 acres)
Section 30: SE $\frac{1}{4}$ SE $\frac{1}{4}$ (40 acres)
Section 31: E $\frac{1}{2}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$ (120 acres)

Township 23 South, Range 6 East, SLB&M
Section 6: Lot 5 (40.11 acres)

Containing in all 240.11 acres

BENEFICIARY: SCHOOL 80 Acres, RESERVOIRS 160.11 Acres

LESSEE: Bronco Utah Operations, LLC
Emery Mine
P.O. Box 527
Emery, UT 84522

This is a request for Board approval of a Royalty Reduction to an Other Business Arrangement ("OBA") under Utah Code Ann. 53C-2-401(1)(d)(ii). The proposed royalty reduction would reduce the underground coal royalty from 8% to 5% on portions of mineable coal that meet certain criteria. These criteria include, but are not limited to engineering, geologic and quality issues. The decreased royalty rate will not be applied for all mined coal within the lease area, but only where physical issues make mining conditions more difficult. If the mining conditions are considered standard for the industry, then the regular 8% underground royalty rate would apply. The decreased royalty rate will ensure that difficult mining conditions do not cause the SITLA coal to be bypassed by the mine operator and ensures the greatest ultimate recovery of the coal resource.

Background

These lands are located to the southeast of the town of Emery in Emery County. The 80 acres within Sections 29 and 30 were acquired by the trust in the 1939 via Quit Claim Deed B-466. The surface rights were sold in 1940 in C-430. The beneficiary for these 80 acres is the School Fund.

The 120 acres within Section 31 and the 40.11 acres within Section 6 were acquired by the Trust under Clear List 13-168 dated June 2, 1903 from the United States BLM. The surface lands were never in Trust ownership and only the mineral estate is owned by the Trust for the 120-acre parcel in Section 31. The

Trust owns both the surface and mineral estate within the 40.11-acre parcel within Section 6. The beneficiary for these two parcels (120 acres and 40.11 acres) is the Reservoir Fund.

The Emery Deep Mine was first opened in 1881 and intermittently produced fee coal from the South Emery Coal Field throughout the 20th century. In the latter part of the 20th century, the Kemmerer Coal Co. and subsequently the Consolidated Coal Company operated the mine. The mine is a room and pillar mine. Portions of these lands within Section 29 and 30 were leased for coal in 1968 to Kemmerer Coal/Consolidated Coal. Consolidated Coal Company mined approximately 40 acres of coal in the 1980's from these leased lands (Section 29 SW4SW4). The lease was relinquished in 1998 and the mine was shut down in the early 2000's.

The current subject lease was approved by the Board of Trustees as ML 51745-OBA to Consolidation Coal Company in 2010 and was assigned to the current operator, Bronco Utah Operations, LLC in 2016. The lease terms are annual rental of \$3/acre, a royalty rate of 8% of underground mined coal and 12.5% on surface mined coal. A bonus payment in the amount of \$712,219.60 was also paid. The lands have had no production since the 1980's until 2019 when Bronco Utah Operations began producing coal from the lease.

Mining Conditions

The coal within the South Emery Coal Field is geologically complex. Multiple seams of coal ranging from 1 foot thick to 15 feet thick exist. These seams tend to split and combine in a fashion to make the mining difficult in comparison to coals within the Wasatch Plateau and the Book Cliffs Coal Fields where the coal is somewhat more consistent. The coal is found within the Ferron Sandstone Member of the Mancos Shale (Upper Cretaceous). The coal generally has a low sulfur content and a moderate amount of ash. It is typically around 11,000 to 12,000 btu, though quality varies depending on the seam and location. The Walker Coal Tract, a Lease-by-Application coal lease is located to the south of the current mine plan.

Bronco Utah re-opened the mine in 2015. Since being re-opened, they have found a myriad of issues leading to difficult mining conditions. The coal seam splits in certain areas in such a way as to create a 1- or 2-foot split seam of sandstone or shale. This results in an increased amount of waste rock and high ash. The mine also has a large amount of water inflow, particularly on the subject lease area in the North. This creates increased pumping costs and poor floor conditions. Also, the roof rock is often not competent enough for regular roof bolts. Longer roof bolts and more steel is required to be used as roof anchors to find competent rock for roof control. These conditions cause an increased cost to mine the coal.

Royalty Rate Reduction

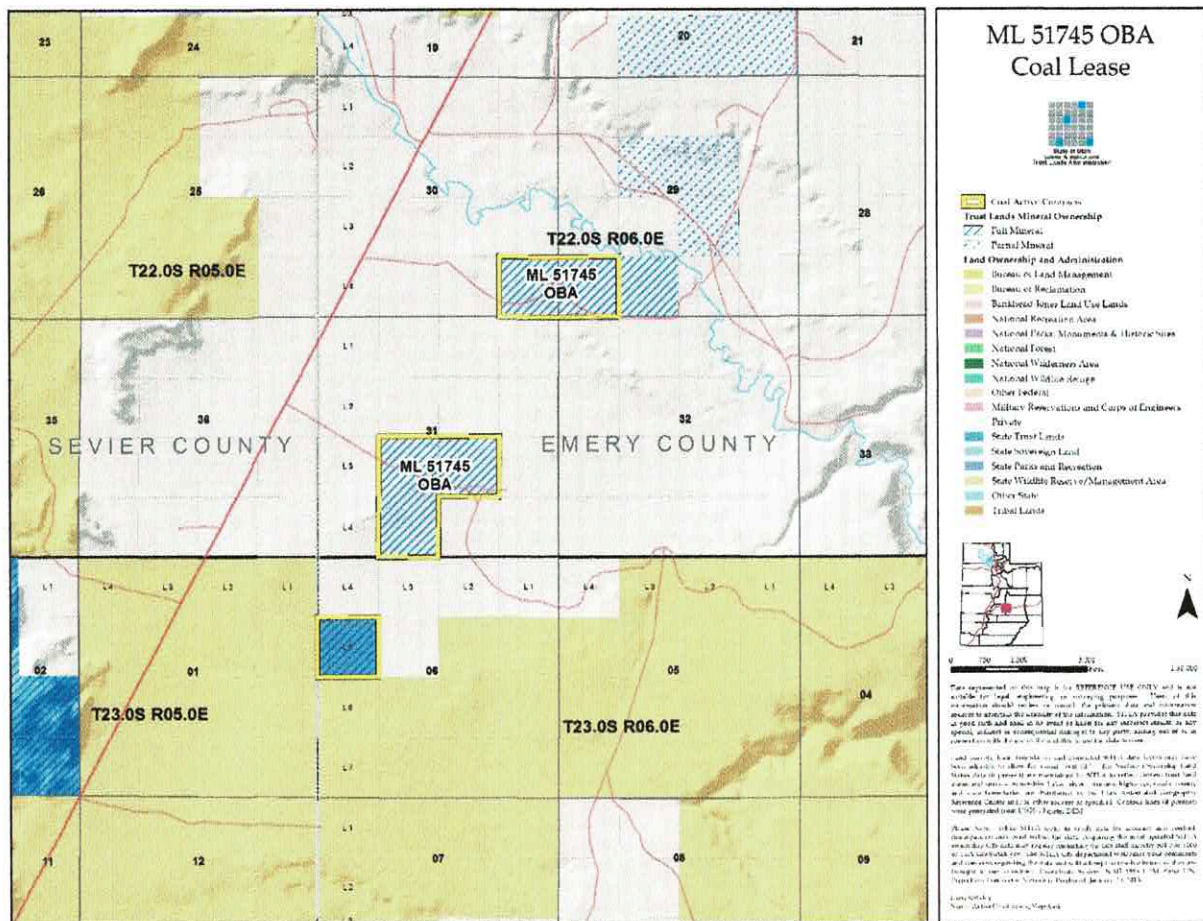
The operator has proposed that the royalty rate be reduced 8% to 5% in areas that meet these criteria for increased mining costs. In areas in which these conditions are not met, the regular 8% royalty rate will be applied. It is entirely possible that without a royalty reduction, the mining conditions are too costly to produce from the SITLA lease. In that event, the SITLA coal would be bypassed and more economic areas would be preferentially mined. Providing a royalty rate buffer for difficult areas ensures that the SITLA coal will be more likely to be mined.

Tom Faddies and Andy Bedingfield have been within the Emery Deep Mine with Bronco Utah and have verified the difficult mining conditions on the subject lease.

Summary and Recommendation

The coal reserves within the Emery Deep Mine, and the subject lease are not economically recoverable without a royalty rate reduction due to adverse geologic and engineering conditions. As the coal is less economically recoverable, it may likely be bypassed in favor of more favorable coal within the mine. Should this happen, it is likely that the coal will never be mined. Reducing the royalty rate in certain areas will allow maximum recovery and ensure the SITLA coal is more favorable to mining.

The Minerals Group recommends the Board of Trustees approve a royalty rate reduction for coal reserves within ML 51745-OBA from 8% to 5% for underground coal. This royalty rate reduction would only be applied when adverse mining conditions are met.



9b

Proposed Negotiated
Sale of Parcels
Comprising 1,637 Acres
of Land in Kane County,
Red Knoll C-26867

MEMORANDUM

DATE: April 7, 2020

TO: SITLA Board of Trustees

FROM: David Ure – Director, Michelle McConkie - Assistant Director, Andy Bedingfield – Mining Group

SUBJECT: Proposed Negotiated Sale of Parcels of Land in Kane County, Red Knoll C-26867

FUND: Schools

The Trust is proposing to sell approximately 1,637 acres of land in Kane County to Best Friends Animal Society via negotiated sale. Formal Board approval of this negotiated sale is required pursuant to Utah Administrative Code R850-80-620(3) as the proposed purchase price of this asset is greater than \$250,000.

The trust lands involved are:

T42S, R6W, Section 32 – W2W2, W2SE4SW4, W2SE4NW4, E2SE4, E2W2E2, SE4NE4 (less 19.41 acres conveyed via ROW 557 to UDOT) (approximately 380.59 acres)

T42S, R7W, Section 2 – Lots 1(34.23), 2(34.19), 3(34.17), 4(34.13), S2N2, S2 (All) (approximately 616.72 acres)

T42S, R7W, Section 16 – All (approximately 640 acres)

Total – approximately 1,637.31 Acres

BACKGROUND INFORMATION

Southern Red Sands, LLC obtained a mineral material permit ML 53491-MP and ML 53492-MP for the mining of industrial frac sands in Kane County just north of Kanab in 2017. The proposal for mining of sands in this area resulted in concerns within the local community after Southern Red Sands submission to the County for conditional use permit recommendations and application for water rights to use in the mine operation. In order to prevent development of the sand, Best Friends Animal Society has proposed a transaction with Southern Red Sands, LLC and the Trust to purchase the surface estate of the trust lands and to pay for restrictions on extraction of the sand and other minerals. Southern Red Sands has subsequently decided not to pursue the sand mine project due to economic, transportation, and other logistical issues.

The sale would be subject to certain existing easements and leases on these parcels; however, grazing permits, right-of-entry permits, and Southern Red Sands mineral permits would be cancelled.

PROPOSAL

Best Friends Animal Society, through Southern Red Sands, LLC, has offered \$6,300,000.00 to purchase the trust lands covered by the mineral material permits (§§16, 2), as well as the remainder of the section where Best Friends Animal Society currently hold a special use lease (§32, less the current leasehold) and for limitations on mineral extraction on these lands. In the sale, all minerals would be reserved by the Trust, but the Trust would covenant not to use the surface of the lands for mineral development, and to maintain subsurface support permanently.

NOTICE/ADVERTISING

Pursuant to R850-80-620(1) and R850-80-615, the Trust advertised the negotiated sale for competing interest. The advertising period ended on April 7, 2020. Interest was expressed by one party but no competing offers were received.

The proposed sale has been reviewed internally by SITLA's management team and no conflicts have been identified to date. It has also been discussed with the Surface committee on March 12, 2020; however, final numbers were not available for discussion at the time of that meeting.

RECOMMENDATION

It is recommended that this negotiated sale be approved by the Board as set forth herein.