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## **DETAILED ANALYSIS**

# **Piester Proposal for Sale of State Trust Land**

**February 21, 2010**

**Prepared by the**

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**DETAILED ANALYSIS  
PIESTER PROPOSAL  
FOR SALE OF STATE TRUST LAND  
In  
PLATTE COUNTY, WYOMING**

**PROPOSAL:**

Dennis & Colleen Piester (the Applicants) have submitted an application for the sale of 1.34 acres of Wyoming State Trust Land. The application is attached as [Exhibit "A"](#). The Office of State Lands and Investments (the Office) received the proposal in February 2010 and recorded the application on the Category I Disposal List. After preliminary review, the Director determined that the parcel may be suitable for disposal and moved the parcel to the Category II Disposal list in accordance with the Rules and Regulations of the Board of Land Commissioners (the Board).

**AUTHORITY:**

W.S. 36-9-101 through 36-9-120; Sale of State Lands

Rules: Chapter 26; Section 4

Trust Land Management Objectives adopted by the Board August 11, 2005

Documents relating to the Board's authorization to sell State land are attached as Exhibit "B".

**LEGAL DESCRIPTION:**

Township 21 North, Range 66 West, 6<sup>th</sup> P. M., Platte County, Wyoming

Section 32

Pt. of SE4NE4

1.34 acres

**SUBJECT PROPERTY DESCRIPTION:**

**Funds**

Common School

**Rights Acquired by the State of Wyoming**

All Surface rights. 50% of the mineral rights are owned by the State with a 2.0% overriding royalty to William J. Brown, Jr. etux. If the parcel were sold at public auction, the State would retain its' 50% ownership of the mineral rights as stated above.

### **Grazing Lease**

The State parcel is under grazing lease 1-8872 leased to West Ranch, LLC. The lease is scheduled to expire on January 1, 2013.

The Applicant's spoke with the grazing lessee about their intended use of the 1.34 acre parcel and the lessee had no objection to a special use lease or future sale of the parcel. A letter from the West Ranch LLC requesting an adjustment in the grazing lease acreage, AUM's and annual lease fee, subsequent to a severing of the parcel from the lease, is found in the List of Exhibits.

### **Carrying Capacity & Annual Income**

The parcel is rated at less than 1.0 AUM. The annual grazing lease income is therefore less than \$4.64, based upon the 2011 lease rate of \$4.64/AUM.

### **Maps and Photographs**

Maps and photos of the subject property are attached as [Exhibit "C"](#).

### **Location and Physical Characteristics**

The parcel is located approximately 1.5 miles east of Chugwater. Access is via State Highway 313 which borders the west end, and the J.J. Road, a paved county road that borders the east end of the tract. The parcel is bounded by privately owned land on the south and a large block of state trust land on the north.

The topography is level to undulating with a gentle slope on the west end where a steep bank from an old road cut is found. An old, broken up asphalt road and borrow ditch runs the length of the eastern 2/3's of the parcel. A deep road cut on the west end of parcel was reclaimed by the Wyoming Highway Department when Highway 313 was realigned a number of years ago. The overall vegetation is native grass pasture. There are no trees and no surface water on the parcel.

### **Size and Shape**

The parcel is a long, narrow, irregularly shaped tract measuring 1210.74' x 136.10' x 1087.36' x 35.75', comprising 1.34± acres.

### **Water Rights**

There are no water rights of record.

## **Mineral Rights**

50% of the mineral rights are owned by the State with a 2.0% overriding royalty to William J. Brown, Jr., etux. Private individuals are reported to own the remaining 50% of the mineral rights. No mineral development was observed in the immediate neighborhood. There are currently no leases, nor are there any applications to lease the parcel for any known minerals. The State would retain its' share of the mineral rights if the property were sold.

## **Wind Resources**

The parcel exhibits a 'good' wind resource according to the NREL Wind Power Resource Estimates. The parcel is not located within a Sage Grouse Core Area. The State has not entered into any wind leasing agreements that would involve the property. There are currently no operating wind development projects in Platte County, although there are a number of projects in the initial phase of development, i.e., under review, conducting environmental studies, developing transmission agreements, etc. Significant private investment has focused on land within Platte County through the past year. It is estimated that any transmission capability within a reasonable proximity to this general area will be operational on or after 2016.

## **Wind Development Potential**

The OSLI Senior Land Management Specialist reviewed aerial photos, the wind inventory map for the surrounding area, and Platte County Wind Development Regulations to assess the wind development potential of the state parcel. County setback requirements were key considerations in the assessment. After imposing required setbacks from property boundaries, primary structures and the county road, it was determined that the parcel could be considered for future wind development if part of a larger tract. The parcel itself is too small to qualify for wind development.

Platte County has a  $\frac{1}{4}$  mile primary residence setback requirement that might impact future wind development of the state parcel, the implication being that should the Applicants build a home on the adjoining vacant lot to the south, future wind development would be negatively impacted within  $\frac{1}{4}$  mile of the home. In addition, the wind tower setback requirement from a public road right-of-way boundary is 1.1 times the height of the tower.

For purposes of the present analysis, the question of future wind development is determined to have no bearing on the appraised value of the parcel as a transitional agricultural/recreational tract with a highest and best use of stand-alone rural home-site or as an add-on unit to the existing home-site owned by the Applicants which abuts the parcel on the south.

It is important to note that if wind generation were ever be built on the adjoining state land which the subject parcel is presently part of, the highest and best use of the tract

would change to an industrial use with a potentially greater market value or value-in-use based on a potentially significant wind lease revenue stream. However, such a valuation is purely speculative at this time and has no bearing on the current appraised value.

The State currently has no pending applications to develop the wind resource on the adjoining, larger State parcel.

The entire report from the Division's Senior Lands Management Specialist is attached as [Exhibit "D"](#)

### **Building Improvements**

A 24' x 40' pole barn was constructed by the Applicant in 2009. Special Use Lease 652 was granted by the Board of Land Commissioners for this use in April of 2010.

### **Land Improvements**

A culvert was installed by the Applicant's on the east end of the tract.

The grazing lessee fenced out the subject parcel, a long, narrow strip, as it was found to be rocky, shallow, barren ground, and unmanageable and unsuitable for grazing. The fence is identified as the "Trust Land Fence Line" in the aeriels and photos. The fence runs parallel to the north boundary line of the parcel, is located on the adjoining State land to the north, and is property of the grazing lessee.

The Highway 313 right-of-way is fenced along the west boundary of subject parcel. The fence is property of the Wyoming Highway Commission.

The east and south boundaries of the subject parcel are unfenced.

### **Easements, Access, Hazards**

There is a recorded easement, Right-of-Way 4943, of varying widths for State Highway 313 along the west boundary of subject parcel. The easement was granted by the Board of Land Commissioners to the Wyoming Highway Commission on January 6, 1990.

Abandoned road beds, discarded trash, scattered fence wire, baling wire, and broken glass are reported to have been a problem. The Applicant's have cleaned up much of the debris since becoming involved with the parcel.

The appraiser did not notice any hazardous material or other environmental detriments on the property during his inspection. While the appraiser has inspected the subject property, he is not trained to detect hazardous material or detriments and therefore

must assume that for appraisal purposes there are no hazardous substances present on the parcel.

### **Special Use Lease/Temporary Use Permits**

A 24' x 40' pole barn was constructed by the Applicants in 2009, and a culvert was installed on the east end of the 1.34 acre tract. These improvements were valued at \$14,500 by the Applicants. Special Use Lease 652 was approved by the Board of Land Commissioners in April of 2010 allowing this use. The lease income is \$250 per year, adjusted annually by 2.7% to offset inflationary pressure and subject to a five year rental review. The lease carries a 10 year term and is scheduled to expire on March 1, 2020.

There are no Temporary Use Permits issued by the Office on the property.

### **Annual Tax Load**

Since the parcel is owned by the State, it is not assessed or taxed by Platte County. If sold to a private entity, Platte County would assess property taxes on the land based on its use.

The following tax "Forecast" is based on the appraised value of the property as a rural residential home-site or add-on unit to an existing home-site and is calculated as follows.

1.34 acres x \$1,679.10/acre = \$2,250 x 9.5% assessed value = \$231.75 x 0.07554 (2010 mill levy = 75.54) = \$17.51 (land only).

The 2010 mill levy was provided by the Platte County Assessor's Office.

### **Covenants and Zoning**

There are no known covenants affecting the subject parcel or adjoining private or State lands.

The subject parcel lies in an Agricultural zone. Rural residential use and accessory uses are allowable uses in the Platte County Agricultural zone.

Should the Applicant acquire the property at public auction, the intended use is an add-on unit to an existing home-site that borders the south side of the subject parcel.

## **COMMENTS FROM AGENCIES:**

### **Wildlife and Wildlife Habitat**

The Wyoming Game and Fish Department (the Department) was asked to evaluate the parcel proposed for sale in terms of wildlife, wildlife habitat and wildlife oriented recreational opportunities. In a letter dated February 15, 2011, the Department states that it has no terrestrial wildlife or aquatic concerns pertaining to the proposed sale.

The entire report from the Department is attached as [Exhibit "E"](#).

The parcel is not located within a sage-grouse "Core Population Area" and, therefore, is not subject to the core area protection plan as outlined in the Governors Executive Order #2008-2 executed August 1, 2008.

### **Cultural Resources**

The Department of State Parks and Cultural Resources ("State Parks") was asked to evaluate the existence and importance of any cultural resources located on the parcel.

State Parks evaluated the cultural resource aspect of the parcel, and in a letter dated January 24, 2011, reports finding no eligible locations of record on the tract. Parks did stipulate, however, that an absence of sites in the database is often the result of a lack of a cultural resource survey in the area, and that it understands that the standard stipulation in OSLI rules Chapter 18, Section 3h would apply if any mineral development were to occur.

Note: Due to the small size and long, narrow shape of the parcel, State Parks was not asked to comment on historical significance or public recreational opportunity. While the parcel is accessible from a state highway and a county road, the parcels size and shape limit any current or potential recreational opportunities.

The entire report from State Parks is attached as [Exhibit "F"](#).

### **APPRAISED VALUE:**

The State parcel was appraised by an Office staff Certified General appraiser. The effective date of the appraisal is February 12, 2011. The appraiser was instructed to consider the property's current use, probable future use, and current highest and best use. The parcel was appraised as a transitional, agricultural/recreational parcel with a highest and best use of rural residential home-site or add-on unit to an existing home-site. These are allowed uses in an Agricultural zone.

The Sales Comparison Approach was used to develop a market value opinion of the fee simple interest of the subject parcel. The subject parcel was appraised with a "hypothetical condition" of "as if vacant", so the Cost Approach did not apply. The Income Approach provided little, if any, meaningful support in the valuation of the property and was also excluded from the analysis.

The sales used in the analysis demonstrated varying degrees of comparability with the subject parcel and were analyzed accordingly. The report includes a summary discussion of the adjustment process used in the Sales Comparison Approach. Supporting analyses and discussion includes a market conditions analysis, paired sales analysis, market analysis adjustment grid, explanation of market abstracted adjustments, and a final reconciliation of conclusion of value. The parcel's location adjacent to a large tract of State land is a positive factor influencing value. However, the long, narrow shape of the subject has a moderate to strong negative impact on the utility (usability) and market value of the parcel in comparison to the sales. An overall range and a bracketed range of value are developed, with the lower end of the bracketed range emphasized (weighted) in arriving at a weighted average \$/acre opinion of value for the subject parcel.

The opinion of appraised value is:

$$\text{\$1,679.10/Acre} \times 1.34 \text{ Acres} = \text{\$2,250 (rounded)}$$

**\\$2,250.00**

**Two Thousand Two Hundred Fifty Dollars**

The appraisal, including comparable sales information, maps, photographs and related information is available in the Office for review.

### **ANTICIPATED ASSET RETURN:**

The total return of any asset is comprised of two parts; (1) income generating potential; and (2) appreciation of the underlying asset.

#### **(1) Income Generating Potential:**

The Board of Land Commissioners Rules and Regulations, Chapter 26, requires that the detailed analysis include an estimate of the income generating potential of the parcel.

The carrying capacity of the 1.34 acre parcel is estimated at .626 AUM's/Acre = .84 AUM's. Annual income is therefore estimated to be .84 AUM's x \$4.64/AUM = \$3.90, based on the 2011 lease rate of \$4.64/AUM.

The special use lease income is \$250 per year, adjusted annually by 2.7% to offset inflationary pressure and subject to a five year rental review. The lease carries a 10 year term and is scheduled to expire on March 1, 2020.

The State Treasurer's Office projects a long-term total return of just under 7 percent for the Common School Permanent Land Fund (CSPLF). The actual total return for the five-year period ending June 30, 2010, was 3.84 percent.

If the 1.34 acres were sold for \$2,250.00 and the proceeds invested by the State Treasurer in the CSPLF at the actual total return rate of 3.84% for the five-year period ending June 30, 2010, the investment would generate \$86.40 per year. The investment would generate \$157.50 per year if invested at a 7% rate of return.

If the \$2,250 were invested at 3.26% per annum, the total return over a 10, 20, and 30 year period would be:

| <u>Years</u> | <u>Common School Interest from Principal at 3.26%</u> |
|--------------|---|
| 10           | \$864.00  |
| 20           | \$1,728.00  |
| 30           | \$2,592.00  |

If the \$2,250 was to be invested at 7.00% per annum, the total return over a 10, 20, and 30 year period would be:

| <u>Years</u> | <u>Common School Interest from Principal at 7.00%</u> |
|--------------|---|
| 10           | \$1,575.00  |
| 20           | \$3,150.00  |
| 30           | \$4,725.00  |

If the land sells at public auction for more than the \$2,250 appraised value, the anticipated returns from the sale would increase proportionately.

**(2) Anticipated Appreciation of the Parcel as a Real Estate Asset:**

The subject parcel is atypical of rural land with potential for rural residential development. Many factors can influence the value of rural development property. These factors include, but are not limited to, market conditions (time), size and shape, location, access, terrain, utilities, amenities, zoning, and adequate exposure to the open market. Of these, it is generally agreed that location is the most important. The location of the subject parcel in relative proximity to the Town of Chugwater is a positive factor. However, the small size, and long, narrow shape of the parcel are negative factors which detract from the parcels overall utility (usability) and marketability and therefore long term appreciation potential and value.

Future appreciation in land values is an unknown. Appreciation rates are influenced by several factors including current market conditions, the economy, interest rates, inventory levels, and amenities within the specific property. Appreciated land value under current market conditions is inherently speculative and would only be realized on a future sale; moreover, the sales proceeds could be reinvested in land with equal or greater appreciation potential.

## **ECONOMIC ANALYSIS:**

The Wyoming State Legislature has declared that trust land should remain a substantial component of the trust portfolio, managed under a total asset management policy, with a focus on protecting the corpus for multiple generations. Accordingly, all State trust and sales, acquisitions, and exchange proposals are evaluated using the Board approved State Trust Land Management Objectives ([Exhibit "B"](#)).

A proposal need not meet all objectives, but all objectives will be considered by the Board of Land Commissioners which has the sole discretion to determine how to best manage the state trust lands.

The Detailed Analysis has been completed as required by the Board's rules. The Detailed Analysis has determined that the proposed land sale meets the following Trust Land Management Objectives:

### **1.) Better meet the beneficiaries' short and/or long term objectives**

#### Revenue:

Under Grazing Lease No. 1-8872, the 1.34 acres is rated at approximately .84 AUM's. Annual income for 2011 would be \$3.90 based upon \$4.64/AUM. Should the sale occur, this income would not continue be generated.

The special use lease income is \$250 per year, adjusted annually by 2.7% to offset inflationary pressure and subject to a five year rental review. The lease carries a 10 year term and is scheduled to expire on March 1, 2020. Should the sale occur, this income would not continue to be generated.

#### Investment:

If the parcel is sold for \$2,250 and the proceeds invested at 3.26% per annum, the investment would generate \$73.35 per year. If the land is sold for more than the appraised value at public auction, the annual return from the investment of the sale proceeds will be proportionately greater.

The sale would significantly increase the current annual return. Appreciated land value is inherently speculative and would only be realized on a future sale; moreover, the sale

proceeds could be reinvested in high amenity land with equal or greater appreciation potential. Thus, a sale would reasonably meet the beneficiaries' short and long-term needs.

## **2.) Improve the manageability of the land asset**

### Consolidate ownership patterns:

Due to the small size of the parcel, it is inefficient to manage for recreational use, grazing, or hunting. Due to abandoned road beds, discarded trash and other debris, and barren, rocky and shallow soils, the grazing lessee found the parcel to be unmanageable and unsuitable for grazing and fenced it off from the larger, adjoining tract of state land. The parcel is therefore not being used by the grazing lessee.

If sold, the proceeds from the sale of the parcel could be used in accordance with W.S. 9-4-701(r) to purchase land adjoining other state owned land thereby blocking up ownership and improving access, manageability, and income generating potential. Office resources can be more efficiently utilized in managing larger, consolidated blocks of land with high amenities, legal access, and multiple compatible uses as compared to small isolated parcels with single or limited uses.

### Leverage management resources of other agencies:

Not applicable.

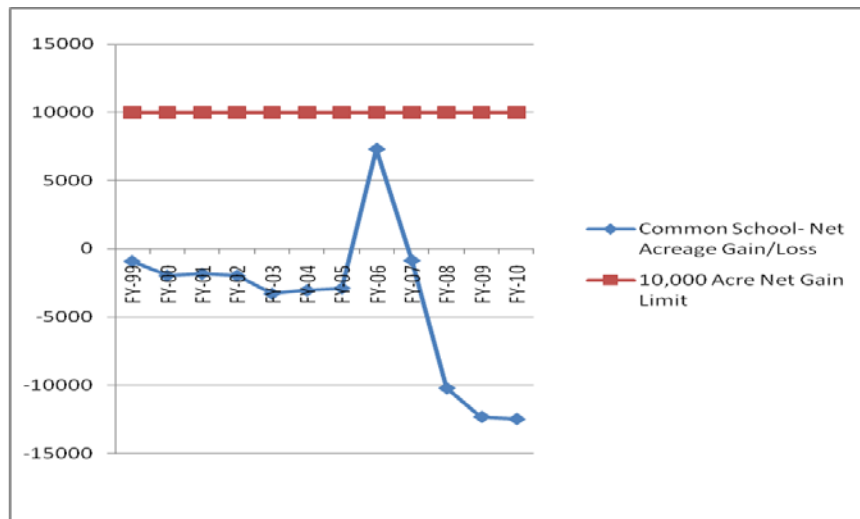
## **3.) Meet a specific school and/or community need**

### Improve Stability or Provide growth opportunity:

Not applicable.

### Improve access/recreational opportunity:

There is legal public access to the parcel. As mentioned previously, sale proceeds could be used to purchase land adjoining other legally accessible State owned land in accordance with W.S. 9-4-715(k), thereby improving access and recreational opportunities. In the 2006 Budget Session, the Wyoming Legislature enacted law which requires no net gain of lands held for the Common School Permanent Land Fund (CSPLF) in excess of 10,000 acres. FY-1999 establishes the baseline used to maintain the no net gain inventory. The graph below displays the net change in acreage of CSPLF since FY-1999.



## CONCLUSION:

This Detailed Analysis will be distributed to the public in accordance with Board of Land Commissioners Rules and Regulations. The Detailed Analysis will be available on the Office's website. It will also be available for public viewing at several locations in Platte County including the County Library, County and City Clerk's Office, the Treasurer's Office, and the County Commissioner's Office.

As required in the rules, a public hearing will be conducted in Platte County if requested by the Platte County Commissioners. The date, time and location of the public hearing, if requested to be held, will be advertised in the Platte Co. Record-Times and the Casper Star-Tribune.

If the sale of this parcel is approved by the Board of Land Commissioners, a notification of sale will be published in a local newspaper within the County. In addition, the Office will market the sale of the parcel on the Office website and have information available for public viewing at several locations in Platte County consistent with the distribution of the Detailed Analysis.

This Detailed Analysis includes the following documents and attachments as required by the rules:

- Detailed description of the State parcel including maps and photographs.
- A summary of the appraisal of the State parcel. The appraisal is available for public review in the Office.

- The determination by the Wyoming Game & Fish Department of the existence and importance of any wildlife habitat and wildlife-oriented recreational opportunities located on the parcel being proposed for sale.
- The determination by the Department of State Parks & Cultural Resources of the existence and importance of any cultural resources located on the parcel being proposed for sale.
- Anticipated investment returns from income generation and appreciation.

## **LIST OF EXHIBITS**

**“A” Letter & Application from Dennis & Colleen Piester**

**“B” Authorities of the Board to Sell State Land**

**“C” Maps and Photographs**

**“D” Wind Development Comments**

**“E” Wyoming Game and Fish Department Comment**

**“F” State Parks and Cultural Resources Department Comment**