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Funding Wyoming Public Education

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DETAILED ANALYSIS

PROPOSAL FOR THE ACQUISITION OF LAND BY THE BOARD OF LAND COMMISSIONERS AND THE STATE LOAN AND INVESTMENT BOARD

September 1, 2011

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**DETAILED ANALYSIS
FOR
THE PROPOSED ACQUISITION OF LAND BY THE BOARD OF LAND
COMMISSIONERS AND THE STATE LOAN AND INVESTMENT BOARD
IN
ALBANY COUNTY, WYOMING**

PROPOSAL:

Acquisition of approximately 12,947.27± acres in Albany County commonly known as the Moriah Ranch (Subject Property). The Director of the Office of State Lands and Investments (the Office) has completed the application to propose private land for acquisition by the State of Wyoming. The Office has received and recorded the application on the Category I Disposal List on August 11, 2011. The application is attached as [Exhibit "A"](#). After preliminary review, the Director determined that the parcel may be suitable for acquisition and moved the parcel to the Category II Acquisition list in accordance with the Rules and Regulations of the Board of Land Commissioners (the Board).

AUTHORITY:

W.S. 9-4-715(k) "Upon request of the board, the state treasurer may invest funds received from sales of state trust lands plus up to two million dollars (\$2,000,000.00) one-time seed money contained in the common school account within the permanent land fund, by purchasing land and improvements thereon within Wyoming as assets of the trust."

Rules: Chapter 26; Section 3

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

Documents relating to the Board's authorization to acquire private land are attached as [Exhibit "B"](#).

SUBJECT PROPERTY DESCRIPTION:

Current Owner: Moriah Ranch LLC, a Michigan LLC.

Rights Being Offered: Surface and mineral estate owned by Moriah Ranch LLC.

Legal Descriptions: Attached [Exhibit "C"](#)

Size:

For the purpose of this detailed analysis, the acreage of the subject property has been estimated at 12,947± acres. The boundary of the land offered to the State was estimated by the Office using maps and aerial photos, confirmed in the field by use of Trimble GPS units. The total size of the Subject Property may be altered based upon a survey, if deemed necessary by the Office or Board.

Maps and Photographs

Maps and photos of the subject property are attached as [Exhibit “D”](#).

Location and Physical Characteristics

The Subject Property is located in northern Albany County. The Subject Property consists of topography varying from creek bottoms, to rolling pastures and rocky hills. Soils range from rocky and gravelly hills to silty loams in the creek bottoms. The typical plant communities are grass with some shrubs and forbs. There are coniferous trees scattered along some hill sides and deciduous trees along some creek bottoms.

Size and Shape

The Subject Property is a contiguous block of land with a slightly irregular shape, consisting of approximately 12,947± acres.

Water Rights

The Subject Property has several water rights on file at the State Engineers Office. All water rights will be transferred with the sale of the land. There are approximately six (6) stock reservoirs and two (2) year round creeks. Per Wyoming Game and Fish Department comments, two (2) of the reservoirs hold fishable populations of trout. The Duck Creek (2.5± miles) and North Duck Creek (3± miles) are also considered to have fishable populations of trout. A list of the water rights associated with the Subject Property are attached as [Exhibit “E”](#).

Mineral Rights

A full mineral appraisal has not been completed by the Office. The Seller has provided a mineral title search, which reveals the Seller owning approximately 6,464 acres of oil & gas rights and approximately 4,309 acres of coal rights. The seller of the Subject Property has stated that all mineral rights owned by the seller will be transferred with a sale of the land.

Wind Resources

Per the NREL wind potential map, the subject property has wind values ranging from class-5 (Excellent) to class-7 (Superb). The parcel is not located within a Sage Grouse

Core Area. A map showing the NREL wind ratings and sage grouse core area is attached as [Exhibit "D"](#).

Wind Development Potential

The OSLI staff reviewed aerial photos and the wind inventory map for the surrounding area. After review, the OSLI staff has concluded that there is good potential for wind energy development on the Subject Property.

Building Improvements

There are modest “ranch headquarters” that consist of a recently updated house, a large Quonset, a small storage building and a small shed. There is also a small log cabin with no utilities located in the northern portion of the Subject Property and three (3) fully depreciated wood structures.

Land Improvements

The perimeter of the Subject Property is fenced, as well as 13 separate pastures. All fences are barbed wire with a mixture of wood and steel posts. The fences range from fair to good condition. Office field staff has determined that the perimeter fences run along property boundaries, with the exception of 840± acres of BLM land that is fenced in common with the Subject Property.

Easements, Access, Hazards

There are easements for the two (2) country roads (Garrett Rd. & Palmer Canyon Rd.) that traverse the Subject Property. There is also an easement for a telephone/telegraph line.

The appraiser did not notice any hazardous material or other environmental liabilities on the Subject Property during his inspection. While the appraiser has inspected the subject property, he is not trained to detect hazardous material or environmental liabilities and therefore must assume that, for appraisal purposes, there are no hazardous substances present on the parcel.

Annual Tax Load

In review of the Albany County Assessor’s property information, the Subject Property’s taxes were estimated to be \$4,334.29 in 2010. If the State Board of Land Commissioners were to acquire the Subject Property, the property taxes would no longer be collected by Albany County.

Zoning

Per the Albany County Planning and Zoning Office, the Subject Property is currently

zoned "Agricultural".

Forest Products

There are some scattered deciduous trees along the water sources and some coniferous trees along the steeply sloped hills. It appears that the prospect of income from forest resources would be minimal.

COMMENTS FROM AGENCIES:

Wildlife and Wildlife Habitat

The Wyoming Game and Fish 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 November 7, 2011, the Department states that the property provides yearlong habitat for pronghorn and seasonal habitat for mule deer and elk. The property also provides habitat value for fish with reservoirs and creeks. The acquisition of the parcel would help provide public access for hunting and fishing and the Department has offered support in managing the hunter/fisher access. The Department feels that the State Land Board would be well served to make an investment in the subject property.

The report from Wyoming Game and Fish Department is attached as [Exhibit "F"](#).

Cultural Resources

The Wyoming Department of State Parks and Cultural Resources was asked to evaluate the proposed parcel in terms of cultural resources, historical significance and public recreational opportunities. State Parks evaluated the parcel and in a letter dated September 27, 2011, State Archaeologist Mark Miller has commented that a conical timber lodge is located on the property and it appears to have some research potential.

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

Bureau of Land Management (BLM):

There are five (5) scattered BLM parcels ranging in size from 40 acres to 640 acres that are located within the boundaries of the Subject Property. Those scattered parcels total 840± acres.

APPRAISED VALUE:

The subject parcel was appraised by Dave Fuller, a Certified General Staff appraiser employed by the Office of State Lands and Investments. The effective date of the appraisal is November 8, 2011. The appraiser was instructed to consider the property's

current use, probable future use, and current highest and best use. The highest and best use was determined to be "Recreational Ranch".

The Sales Comparison Approach was used to develop a market value opinion of the fee simple interest of the subject property. The Subject Property is minimally improved, therefore the cost approach was not deemed necessary to produce creditable appraisal results. The appraiser has determined that the income approach was not applicable to the report, due to the Subject Property's highest & best use being "Recreational Ranch".

The sales used in the analysis demonstrated varying degrees of comparability with the Subject Property and were analyzed accordingly. The report includes a summary discussion of the adjustment process used in the Sales Comparison Approach. Supporting analyses and discussion included a sales comparison analysis, explanation of market adjustments, and a final reconciliation of value. A final value indication is developed within a bracketed range of value, for the subject property. At the request of the Board of Land Commissioners, the appraisal report was reviewed by Bob Brochman (Reviewer) a Certified General appraiser with Keyhole Land Company in Wheatland, WY. The Reviewer is familiar with the Subject Property's market area specifically and the southeast portion of Wyoming in general. The reviewer was instructed to review the appraisal to ascertain the report's compliance with Uniform Standards of Appraisal Practice (USPAP) and the compliance with client instructions. The reviewer has also checked for accuracy of calculations, the reasonableness of data and the appropriateness of methodology within the appraisal report.

The appraised value is:

$$\$861.19/\text{Acre} \times 12,947.27 \text{ Acres} = \$11,149,826.93$$

\$X11,150,000.00

Eleven million, one hundred fifty thousand 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.

Property:

The Subject Property has been estimated by Office staff to have a carrying capacity of 3,000 to 3,500 AUMs. If the land were leased at the 2011 minimum rate of \$4.64 per AUM, the annual income would be \$15,000. If the land were leased at the average rate for private land of \$19.00 per AUM, the annual income would be \$61,750. In speaking with appraisers in the area, it was found that lease rates were as high as \$25 per AUM in 2011. Due to the available stock water and efficient layout of the Subject Property, it appears that it could be leased near the higher end of the rental range.

Projected Income from Wildlife Oriented Opportunities:

Because those who would benefit from public access to the combined 14,827± acre parcel would probably already hold a valid hunting or fishing license, it is not likely that the acquisition of the 12,947± acres of land would specifically contribute any additional income from wildlife oriented opportunities.

There is an existing Hunter Management Area and Walk-in Area adjoining the Subject Property to the west and the Laramie Peak Wildlife Habitat Management Area is adjoining the subject to the east. It is unknown if the proposed increase in public access would create a measurable increase in the sale of hunting and fishing licenses.

Projected Income from Public Recreational Opportunities:

Any additional income from public recreational opportunities is unlikely.

Projected Income from Mineral Related Opportunities:

Since the Board would acquire mineral rights with the property, the Office would receive any royalties, surface impact payments and the like from minerals discovered and produced on the Subject Property. However, as there is no current mineral activity on the Subject Property, or in the immediate area, no income is expected from mineral development.

Projected Income from Wind Energy Development:

The Subject Property is located in an area with wind power classifications ranging from Excellent to Superb. It is located outside of Sage Grouse Core Areas that have stipulations on wind energy development and it is also within close proximity to the proposed Gateway West transmission line. A wind energy classification map is attached within [Exhibit "D"](#). There is good potential for income generated from wind energy development on the subject property.

(2) Anticipated Appreciation of the Subject Property as a Real Estate Asset:

The Subject Property is typical of rural land with potential for recreational uses. Many factors can influence the value of rural recreational 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.

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 land 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 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 acquisition meets the following Trust Land Management Objectives:

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

Revenue:

The Subject Property could potentially be leased for grazing with an annual income ranging from \$15,000 (based upon \$4.64 x 3,250 AUMs) to \$81,250 (based upon \$25 x 3,250 AUMs) . The Subject Property is a large contiguous block of land that has been fenced into 13 pastures with efficient stock water distribution throughout. The Subject Property has been managed with an emphasis on rangeland conservation and is in good overall condition, with minimal weed and pest issues and no signs of overgrazing.

More than 30 active listings were analyzed and ranked based upon how they could potentially meet the Trust Land Management Objectives, if they were acquired. The four highest ranking listings were inspected by Office staff. The Subject Property was chosen as the best prospect for meeting the Trust Land Management Objectives due to its potential grazing income, seller willingness to dispose of mineral title, potential for wind energy development and the large contiguous layout of the Subject Property, which allows for more efficient management.

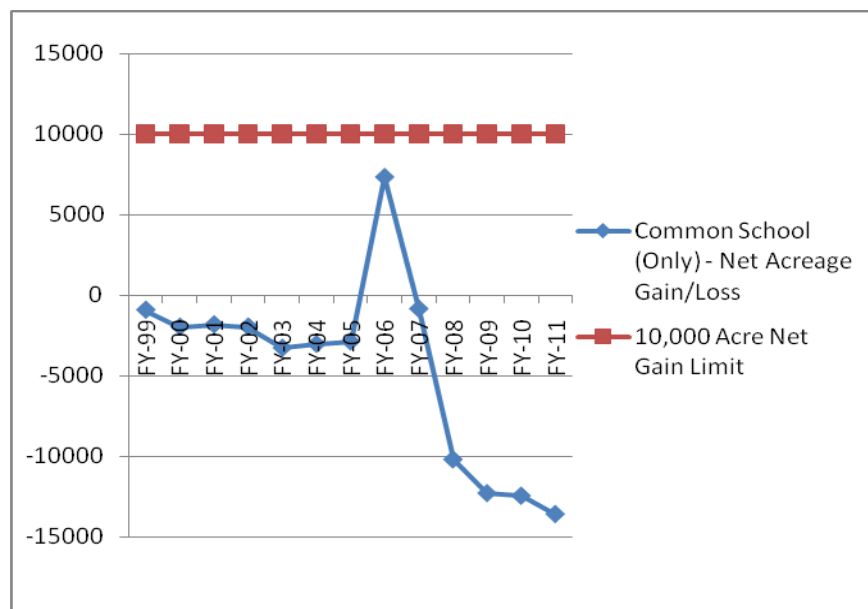
Investment:

The State Treasurer's Office projects a long-term total return of just under seven (7%) percent for the Common School Permanent Land Fund (CSPLF). The actual total return for the five-year period ending June 30, 2009, was 3.26%.

Pursuant to Wyoming Statute 9-4-715(k), funds received from sales of State Trust lands are placed within the Common School Permanent Land Trust Fund (CSPLF), and are only available for future investment in Trust Land. If the Subject Property was purchased for \$11,700,000 the funds would be taken from the CSPLF, which currently has a balance of \$14,993,000±. As mentioned, the CSPLF earns approximately 3.26% annually. Upon the execution of the purchase, the \$11,700,000 that is currently earning \$381,420± annually would no longer be available for investment. The purchase of the Subject Property would not appear to meet the short term objective for investment return. However the long term objective of maintaining Trust Land as a major component of the trust portfolio would be met, as defined by the State Legislature and the Board of Land Commissioners' trust land management objectives.

In the 2006 Budget Session, the Wyoming Legislature enacted legislation which requires no net gain of lands held for the Common School Permanent Land Fund in excess of 10,000 acres. FY-1999 establishes the baseline used to calculate the no net gain inventory. The graph below displays the net change in acreage of CSPLF since FY-1999. The CSPLF is currently 13,610± acres below the established baseline, which would allow the Board of Land Commissioners to acquire up to 23,610± acres of land and remain within the 10,000 acre no net gain limit.

The acquisition of The Subject Property would not only meet the long term investment objective. But it would also help bring the net land inventory up to at least the baseline established in 1999.



2.) Improve the manageability of the land asset

Consolidate ownership patterns:

The subject property adjoins 640± acres of scattered State Trust Land and if the Subject Property was acquired, it would create a 13,587± contiguous block of State Trust Land. Office resources can be more efficiently utilized in managing larger, consolidated blocks of land with high amenities, legal access, and multiple compatible uses.

Leverage management resources of other agencies:

Completion of the exchange would provide a superior opportunity to cooperate and collaborate with the Wyoming Game and Fish Department to establish a hunter management area and/or a walk-in area and to improve/preserve critical habitat.

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

Improve access/recreational opportunity:

The subject property adjoins 640± acres of scattered State Trust Land and if the Subject Property was acquired, it would create a 13,587± contiguous block of State Trust Land. There is also adjoining BLM land that would provide access to an additional 1,240± acres of scattered State Trust Land. This is particularly noteworthy given the relative lack of recreational access to Trust and federal public lands in southeast Wyoming, and given the disposal of a net 14,827± acres of state trust land in Albany County since 1999. The completion of the acquisition would also preserve open space in an area currently under significant subdivision pressure.

CONCLUSION:

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

As required in the Rules, a public hearing will be conducted in Albany County. The date, time and location of the public hearing will be advertised in the Laramie Boomerang and a state wide paper.

Public comments will be accepted concerning the proposed acquisition for a period of two (2) weeks immediately following the public hearing.

Not less than sixty (60) days after the detailed analysis is made available to the public, the Board of Land Commissioners shall consider, in an open Board Meeting, the

proposed land acquisition. If the Board rejects the proposed land acquisition, the Office shall remove the parcel from the acquisition list. If the Board determines that the Subject Property should be acquired, it shall direct the Office to exercise the option to purchase.

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

- Detailed description of the Subject Property including maps and photographs.
- A summary of the appraisal of the Subject Property. The appraisal is available for public review in the Office.
- The determination by the Wyoming Game and Fish Department of the existence and importance of any wildlife habitat and wildlife-oriented recreational opportunities located on the parcel being proposed for acquisition.
- The determination by the Department of State Parks and Cultural Resources of the existence and importance of any public recreation opportunities or cultural resources located on the parcel being proposed for acquisition.
- Anticipated investment returns from income generation and appreciation.

LIST OF EXHIBITS

- “A” Letter & Application from Office of State Lands & Investments**
- “B” Authorities of the Board to Acquire Private Land**
- “C” Legal Description**
- “D” Maps and Photographs**
- “E” Water Rights**
- “F” Wyoming Game and Fish Department Comments**
- “G” Wyoming State Parks and Cultural Resources Department Comments**