



FACT SHEET: Priest Lake Cottage Sites Auction for Ownership

Thursday, August 28, 2014 | Coeur d'Alene Resort | 1:00 p.m.

Background

In 1890, Idaho became the 43rd State of the Union. At that time, Congress granted millions of acres of land to the new State of Idaho for the sole purpose of funding public schools and other State institutions.

Today the Idaho Department of Lands (IDL), under the direction of the State Board of Land Commissioners (Land Board), manages more than 2.4 million acres of state endowment trust land in Idaho under a Constitutional mandate to maximize financial returns to public schools and other State institutions.

Some of that land includes thousands of acres on the shores and upland of Priest Lake in northern Idaho and Payette Lake in McCall. The lots are known as cottage sites. More than 500 individuals and families lease the lots from the endowment trust. The endowment trust owns the land and the cabins built on the land are owned by the lessees as personal property.

59 state endowment-owned cottage site lots at Priest Lake will be auctioned for deeded ownership.

Why is the State selling cottage sites?

In 2010, the Land Board voted to divest the State's ownership in most of the 500-plus lots at Priest Lake and Payette Lake over time, and reinvest the proceeds into assets that produce higher returns.

It means IDL could transition \$200 million worth of public school property at these lakes into private ownership over a period of time. This will significantly expand the tax base for Bonner and Valley Counties. Privatization of the lots also likely would incentivize owners to make more investments, such as upgrades to cabins and roads, and active management of common areas.

Why does IDL have to auction the lots? Where will the money from the auctioned lots go?

The Idaho Constitution requires a public auction for the disposal of state endowment trust land by sale.

The beneficiary of the Priest Lake cottage site lots is the public school endowment. After the lots are auctioned, the money will go into the Land Bank or the Permanent Fund. The Land Board is reviewing investment strategies to determine where to reinvest the proceeds from the disposition of these lots.

How were the lots valued, and why did the values increase?

IDL hired private third party professional appraisers to value the endowment owned lands at both lakes in recent months and years.

Up until recently, the lands at Priest Lake were valued by mass appraisals but new appraisals are site specific and appraisers were directed to value the lands as "vacant and unimproved." The appraisal instructions were consistent with the constitutional mandate, bolstered by an Idaho Supreme Court decision in 2012, to maximize returns from the use and sale of the lots.

The appraisal instructions and market trends are what contributed to increases in the values of the lots compared to previous years.

The active bidding at the auction is for the **LAND ONLY**. The price for the houses and other improvements on top of the land were set prior to the auction and are not being bid on, **only the land**.

IDL cannot accept anything less than the appraised value of the land.

All auction participants (current lessees or outside party) sign the same terms and conditions.

Why are these specific 59 lots in the auction?

In 2013 the Land Board did not approve three land exchange proposals that would have traded dozens of cottage site lots for lands in other parts of Idaho. **This auction opportunity was offered to participants in the unsuccessful cottage site land exchange proposals** for several reasons, but mainly because a unique and time sensitive business opportunity existed as these lessees were ready, willing and financially able buyers who had been through the land disposal due diligence process.

Throughout the auction preparation process, **these 59 lessees have voluntarily and willingly agreed to continue with the auction of the lot they lease.**

Will there be future auctions for ownership for Priest Lake lots?

Yes. The IDL will recommend at least one auction cycle for Priest Lake lots in 2015, subject to Land Board approval.

Since the auction is for LAND ONLY, all of the bid, including any “up bid” over the appraised value of the land, will go entirely to the State.

If the successful bidder IS the current lessee (the homeowner):

⇒ They pay the winning bid amount to IDL through the title company at close of escrow (not right away)

Current lessees who are participating the auction have already paid a 1 percent auction administration fee (one percent of the lot value); an application fee used to pay for the appraisal; a title fee.

If the current lessee is NOT successful in submitting the winning bid, they will be reimbursed for all fees paid.

If the current lessee DOES win the auction but DOES NOT close on the sale (does not follow through with the commitment to pay or does not comply with other terms of the purchase/sale agreement), then they will lose all the fees they paid and will have their lease cancelled. If they choose to apply for a new lease, the new lease will be subject to conflict if more than one party is interested in leasing the same lot.

If the successful bidder IS NOT the homeowner/current lessee, that person must:

- ⇒ Pay the winning bid for the land, which is due at close of escrow
- ⇒ Write a check or provide funds to the title company on the day of the auction for :
 - > Cost of the personal property (cabin and other improvements)
 - > One percent auction administration fee (one percent of the lot value)
 - > Appraisal fee and title fee on the day of the auction

Auction participants who ARE NOT the homeowner/current lessee must come to the auction with a \$50,000 cashier’s check for each lot they plan to purchase. They have to sign a bidder registration form providing some personal and financial information, and must sign the same terms and conditions the current lessees signed. If they submit the winning bid, the \$50,000 would be applied to the cost of the personal property upon successful closing. If this person wins the auction but does not close on the sale (does not follow through with the commitment to pay or fails to comply with other terms of the purchase/sale agreement), then that person will forfeit the \$50,000 as well as all applicable fees.