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STATE BOARD OF LAND COMMISSIONERS
Brad Little, Governor
Lawrence E. Denney, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D Woolf, State Controller
Sherri Ybarra, Sup't of Public Instruction

February 24, 2022

Re: Future of the Cottage Site Leasing Program

Dear Cottage Site Lessee:

On November 16, 2021, the Idaho Department of Lands (Department) received approval from the Idaho State Board of Land Commissioners (Land Board) to begin outreach to existing cottage site lessees to gauge interest in various leasing options for the future of cottage site leases.

Considering the approaching expiration of the leased cottage sites, the Department is considering three options for fulfilling the Land Board's directive to "unify the estate" of each site. Based on feedback received from existing lessees, the Department will present a plan to the Land Board in August 2022.

Option One – Long-term Ground Lease: The Department will offer a lease consistent with terms typically found in private ground leases. In particular, the lessee owns existing improvements or may elect to construct improvements on the leased cottage site for the duration of the lease, but the ownership interest in the improvements will revert to the endowment at the close of the lease term, thereby unifying the land estate.

The lease length (i.e., term) for cottage sites under Option One will be 30 years to provide long-term security to lessees while supporting the transition of full ownership to the endowment. A lease rate and reappraisal schedule will be established by the Department by working with third-party advisors and the Office of the Attorney General (OAG) to set a market rate and leasing structure in the endowment beneficiaries' best interests. In addition, this option will not allow for periodic Voluntary Auction for Ownership (VAFO) cycles.

Option Two – Long-term Lease ending in Auction of the Entire Estate: The Department will offer a 30-year lease term that eliminates the split estate through a mandatory auction for the improvements and real property at the end of the lease. Option Two will have the highest lease rate among the options because of the long-term security for the lessee and the possibility for lessee compensation for lessee made improvements at the end of the lease term. Lessees who are unsuccessful in winning the final auction for the entire estate, under this option, shall be compensated by the winning bidder for the value of improvements made by lessee, as valued by a third-party appraiser selected by the Department. This option will allow for periodic enrollment by lessees into the VAFO process, as determined by the Department.

Option Three – 10-year Lease Ending in Auction of Lease: A final option for the remaining lessees will be a 10-year lease term structured similarly to the current lease. Option Three will offer lessees a periodic option to participate in the VAFO process. This option provides flexibility to the lessee and will be offered at a slightly lower rate than Option Two. However, this lease structure provides more opportunities for interested parties to apply and participate in a lease auction at the end of the lease term and does not unify the estate.

IDL would appreciate your feedback on the proposed options as we gauge lessee interest in the proposed options. Please email your desired option and any comments to: comments@idl.idaho.gov, with the subject line “Future of Cottage Sites.” Alternatively, you may provide feedback by completing and returning the comment form on page 3.

Respectfully,

Josh Purkiss
Real Estate Services Bureau Chief

Enc.\1 - Cottage Site Lessee Comment Form

