Investment and Development Fund Report

Fiscal Year

2011-12

Annual review of Investment and Development Fund investments on state trust lands

Colorado State Board of Land Commissioners

Introduction

As required by Section 36-1-153,C.R.S., the Colorado State Land Board is pleased to present its annual Investment and Development Fund report. The Investment and Development Fund was created in 2005 and allows the State Land Board to invest up to $5 million in School Trust revenues per year back into School Trusts asset in order to increase the value and/or income of these assets for the trust. This report details the financial results of these investments and the impact on the assets we manage

This report has three sections:

- Investment Summary (Page 3)
- Appendix A – Financial Analysis Terms and Assumptions (page 4)
- Appendix B – Project and Program Detail (Page 5)

INVESTMENT SUMMARY

The State Land Board's has spent or authorized $13.5 million from the Investment and Development Fund on 31 projects/programs over the last 7 years. These targeted investments have already directly increased revenues by $74.3 million. Over the next five to ten years, we expect these same Investment and Development Fund investments to generate an additional $30.6 million in revenue and $43.5 million in realize value through asset sales.

From FY 2005-06 to FY 2011-12, our Investment and Development Fund investments resulted in:

- The completion of the Lowry Range large scale oil & gas development property lease that enhanced bonus revenues by $74 million;
- New and renewed communication tower leases that increased annual revenues by $200,000;
- Two new commercial real estate assets that increased annual revenues by $430,000;
- New and renewed surface leases that increased annual revenues by $183,000; and,
- Realized asset sales proceeds were increased by $1.0 million.

From FY 2012-13 to FY 2021-22, we expect our Investment and Development Fund investments to result in:

- The completion of a large scale oil and gas development lease that will produce over $30 million in enhanced bonus revenues at the 70 Ranch property;
- The completion of entitlements on five development properties that are expected to generate $55 million in sales proceeds;
- A large a scale oil and gas development property lease which is expected to produce $600,000 in new annual royalty revenues; and,
- New conservation services revenue of $2.6 million.

FINANCIAL

The following is an explanation of the financial analysis and calculation concepts used in this report.

Financial Measures of Performance

The State Land Board utilizes **discounted cash flow analysis** to report on the viability and performance of individual projects and the fund as a whole. This analysis is widely used in private business and considers all costs (including opportunity costs) and revenues of a particular project over the life of the project.

Future revenues are subject to a **discount rate** in order to determine the project's current or **net present value (NPV)**. This discount rate is an indicator of the rate of return that should be expected for a given type of investment, taking into account the timing and risk associated with the future cash flows. For the Investment and Development Fund, the discount rate has been set at the following percentages for specific investment types.

- Agricultural projects: 7.5%
- Commercial sales, remodels, and construction: 10.0%
- Land Development: 13.5%
- Minerals Projects: 10.0% to 12.0%

In the financial tables associated with each project the Net Present Value is reported. For example, NPV@8% means 8% is the discount rate. If the NPV is a positive number it means the rate of return on the investment exceeded 8%. If the NPV is a negative number it means the rate of return fell below 8% (or whatever the discount rate is for a given project).

The tables also report on a project's **Internal Rate of Rate Return** (IRR). The IRR measures the annualized, effective compound rate of return over the term of the project, taking into account all cash inflows (e.g. revenues) and outflows (e.g. expenses and opportunity costs). For example, an IRR of 15% means that future revenues generate an average annual return of 15% over the life of the investment.

Personnel (FTE) and Operating Costs

There 4 FTE currently funded by the Investment and Development fund as well as some operating and planning expenses. However individual project expenditures do <u>not</u> reflect the costs of each FTE. All costs associated with these FTE are deducted from the Fund's total NPV in order to reflect the true return of the Fund's investments.

Land Value and Entitlement

Annexation, rezoning, and platting increase the value of property through land use "entitlements." Annexation guarantees governmental services including water and wastewater while the rezoning and platting allows the property to be subdivided and developed. This process is termed "entitling property".

Please note that land value projections for both completed and ongoing projects have been adjusted downward based on current economic conditions and/or current appraisals.

APPENDIX B
PROJECT AND PROGRAM INVESTMENT DETAIL

APPENDIX B – Project and Program Detail

APPENDIX B
PROJECT ANALYSIS SUMMARY

FINANCIAL ANALYSIS SUMMARY

The following charts summarize financial returns for each individual Investment and Development Fund project and program. The charts show increase income and asset value associated with each of Investment and Development Fund investments.

APPENDIX B
PROJECT ANALYSIS SUMMARY

				STATE LAND BOARD EXPENSES					*PROJECT BENEFITS*		*RETURN ON INVESTMENT*		
	Revenue or Valuation Enhace or Maintain	**Value Start End**	**Return Analysis Start-End**	**Non Investment and Development Fund Expenditures**	**Investment and Development Fund Amount Approved and/or Spent**	**Estimated Future Expenditures**	**Total Estimated Expenditures**	**Status**	**Avg Gross Annual Revenue Increase Over Analysis Period**	**Estimated Net Value Increase**	**Internal Rate of return [1]**	**Net Present Value [2]**	**Discount Rate**
COMPLETED PROJECTS													
Big Springs	Revenue Enhancement		2010-2020	$ -	$ 59,088	$ -	$ 59,088	COMPLETE 2011	$ 11,638	$ -	13.90%	$ 19,407	7.5%
Brett Grey Ranch	Revenue Maintenance		2009-2029	$ -	$ 236,017	$ -	$ 236,017	COMPLETE 2011	$ 43,500		25.29%	$ 243,406	7.5%
Irrigation Well Meters	Revenue Maintenance		2006-2015	$ -	$ 15,600	$ -	$ 15,600	COMPLETE 2007	$ 68,055	$ -	421.89%	$ 436,159	7.5%
Jack Canyon	Revenue Enhancement		2007-2026	$ -	$ 45,234	$ -	$ 45,234	COMPLETE 2010	$ 5,005	$ -	8.11%	$ 2,548	7.5%
Lowry Range	Revenue Enhancement	$ 63,144,000 $ 136,812,000	2009-2016	$ -	$ 8,021,000	$ -	$ 8,021,000	COMPLETE 2012	$ 73,668,000	$ -	40.62%	$ 35,049,267	12.0%
Mason Street	Value Enhancement	$ 1,235,000 $ 2,200,000	1993-2008	$ -	$ 631,428	$ -	$ 631,428	COMPLETE 2008	$ -	$ 965,000	14.46%	$ 1,174,477	4.0%
Muddy Creek	Revenue Enhancement		2005-2015	$ -	$ 39,900	$ -	$ 39,900	COMPLETE 2006	$ 7,067	$ -	15.28%	$ 18,289	7.5%
Riverside Ditch	Revenue Enhancement		2005-2015	$ -	$ 108,457	$ -	$ 108,457	COMPLETE 2006	$ 14,501	$ -	10.22%	$ 19,015	7.5%
San Juan Basin Audit	Revenue Enhancement		2006-2016	$ -	$ 64,000	$ -	$ 64,000	COMPLETE 2008	$ 60,600	$ -	127.86%	$ 330,380	10.0%
Table Mountain	Revenue Enhancement		2007-2028	$ -	$ 52,500	$ -	$ 52,500	COMPLETE 2008	$ 49,630	$ -	82.97%	$ 301,653	12.0%
TJ Bar Ranch Lodge	Revenue and Value Enhancement	$100,000 $425,000	2006-2015	$ -	$ 100,000	$ 175,000	$ 275,000	COMPLETE 2007	$ 33,250	$ 325,000	35.88%	$ 200,693	10.0%
1127 Sherman	Revenue Enhancement	$ 420,000 $ 5,119,124	2006-2012	$ 4,410,826	$ 250,000	$ -	$ 4,660,826	COMPLETE 2012	$ 318,421	$ -	10.97%	$ 117,145	10.0%
			Totals	$ 4,410,826	$ 9,623,224	$ 175,000	$ 14,209,050		$ 74,279,667	$ 1,290,000		$ 37,912,440	

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	Revenue or Valuation Enhace or Maintain	Value Start End	Return Analysis Start-End	Non Investment and Development Fund Expenditures	Investment and Development Fund Amount Approved and/or Spent	Estimated Future Expenditures	Total Estimated Expenditures	Status	Avg Gross Annual Revenue Increase Over Analysis Period	Estimated Net Value Increase	Internal Rate of return [1]	Net Present Value [2]	Discount Rate
ONGOING INVESTMENTS													
Broomfield (Arista)	Value	$ 770,000						IN PROGRESS					
	Enhancement	$ 3,000,000	2005-2015	$ 55,450	$ 13,450	$ 900,000	$ 968,900		$ -	$ 2,230,000	8.70%	$ (317,382)	13.5%
Chico Basin Water	Revenue							IN PROGRESS					
	Maintenance		2011-2021	$ -	$ 43,407	$ -	$ 43,407		$ 6,477	$ -	8.03%	$ 1,052	7.5%
Conservation Services	Revenue							IN PROGRESS					
	Enhancement		2012-2020	$ -	$ 694,000	$ 1,447,000	$ 2,141,000		$ 265,000	$ -	5.55%	$ 38,912	5.0%
Dowd Junction	Revenue and Value	$ 8,625,000						IN PROGRESS					
	Enhancement	$ 39,580,764	2009-2014	$ -	$ 400,000	$ -	$ 400,000		$ 300,117	$ 30,955,764	36.05%	$ 12,838,493	13.5%
EBY Section 16	Value	$ 1,050,000						IN PROGRESS					
	Enhancement	$ 3,872,000	2009-2014	$ -	$ 470,000	$ -	$ 470,000		$ -	$ 2,822,000	20.56%	$ 884,210	10.0%
Granby Overlook	Value	$ 684,360						IN PROGRESS					
	Enhancement	$ 6,383,501	2006-2019	$ 28,735	$ 259,000	$ 1,700,000	$ 1,987,735		$ -	$ 5,699,141	14.57%	$ 105,568	13.5%
Lochbuie PUD	Value	$ 1,292,933						IN PROGRESS					
	Enhancement	$ 3,076,150	2007-2015	$ 41,454	$ 102,913	$ -	$ 144,367		$ -	$ 1,783,217	7.44%	$ (624,030)	13.5%
Mountain to Plains	Revenue							IN PROGRESS					
	Enhancement		2012-2013	$ -	$ 100,000		$ 100,000		$ 469,307	$ -	126.22%	$ 1,748,417	12.5%
NHF	Revenue	$ 28,190,000						IN PROGRESS					
	Enhancement	$ 57,738,758	2012-2020	$ -	$ 100,000	$ -	$ 100,000		$ 29,548,758	$ -	57.65%	$ 18,273,377	12.0%
			Totals	$ 125,639	$ 2,182,770	$ 4,047,000	$ 6,355,409		$ 30,589,660	$ 43,490,122		$ 32,948,616	

APPENDIX B
PROJECT ANALYSIS SUMMARY

	Revenue or Valuation Enhace or Maintain	Value Start End	Return Analysis Start-End	*STATE LAND BOARD EXPENSES* Non Investment and Development Fund Expenditures	Investment and Development Fund Amount Approved and/or Spent	Estimated Future Expenditures	Total Estimated Expenditures	Status	*PROJECT BENEFITS* Avg Gross Annual Revenue Increase Over Analysis Period	Estimated Net Value Increase	*RETURN ON INVESTMENT* Internal Rate of return [1]	Net Present Value [2]	Discount Rate
INACTIVE PROJECTS													
Arvada PUD	Value Enhancement		2006	$ -	$ 20,000	$ -	$ 20,000	INACTIVE	$ -	$ -		$ (20,000)	
Cobb Lake	Value Enhancement		2006	$ -	$ 20,000	$ -	$ 20,000	INACTIVE	$ -	$ -		$ (20,000)	
Douglas Reservoir	Value Enhancement		2006	$ -	$ 20,000	$ -	$ 20,000	INACTIVE	$ -	$ -		$ (20,000)	
Erie Zoning	Value Enhancement		2007-2017	$ 33,707	$ 142,291	$ -	$ 175,998	INACTIVE	$ -	$ -		$ (175,998)	
Platte River Water**	Value Enhancement		2008	$ -	$ 21,256	$ -	$ 21,256	INACTIVE	$ -	$ -		$ (21,256)	
Powers Boulevard PUD	Value Enhancement		2006	$ -	$ 20,000	$ -	$ 20,000	INACTIVE	$ -	$ -		$ (20,000)	
6th and Kipling	Value Enhancement		2010	$ -	$ 50,000	$ -	$ 50,000	INACTIVE	$ -	$ -		$ (50,000)	
			Totals	$ 33,707	$ 293,547	$ -	$ 327,254		$ -	$ -		$ (327,254)	
Program Income/Expenditures													
Communication Tower Lease Revenues	Revenue Enhancement		2009-2019	$ -	$ -	$ -	$ -	IN PROGRESS	$ 360,730		N/A	$ 2,013,012	10.0%
Centennial Hangar	Revenue Enhancement		2008-2048	$ 650,295	$ -	$ -	$ 650,295	COMPLETE 2008	$ 132,376	$ -	12.18%	$ 170,480	10.0%
Program Costs			2006-2012	$ -	$ 1,393,371	$ 2,000,000	$ 3,393,371	IN PROGRESS				$ (3,393,371)	
			TOTALS:	**$ 4,570,172**	**$ 13,492,912**	**$ 6,222,000**	**$ 24,285,084**		**$ 105,230,057**	**$ 44,780,122**		**$ 69,153,442**	

APPENDIX B
SURFACE PROJECTS

Brett Grey Ranch Project

Project Type: Agricultural – Revenue Maintenance

The Brett Grey Ranch project improved the management and carrying capacity at a 50,000 acre ranch in Lincoln County.

The ranch has significant agricultural infrastructure as well as a unique riparian area through the southern portion. There are 3 homes and various barns, corrals, scales and livestock handling facilities on the property.

The ranch also has excellent water rights. There are 310 total irrigated acres and two large reservoirs have the right to store 290 acre feet of water for irrigation.

Project Summary

Timeline	
Project Start:	February 2010
Installation Complete:	July 2011
Lease:	Ongoing
Summary	
Status:	Complete
Outcome:	$43,500 revenue maintenance
Project Investment:	$236,017 I&D Fund $0 Other SLB $ **$236,017 Total**
Financial	
Payback (approx):	5 years
Return (IRR):	25.29%

Due to the recent drought, past management strategies, and poorly maintained infrastructure, the ranch has not produced as much forage as anticipated. Though rated at 16,000 AUMs per year, the ranch had no livestock in 2007 to allow for recovery of the grass. In order to improve return to the trust and protect the long-term health of the resource, several critical items need to be repaired and additional livestock water needs to be developed. Some of the irrigation systems, reservoirs, windmills and tanks were in need of repair as well. In addition, the equipment for two irrigated circles, covering 500 acres each, were replaced.

The Investment and Development Fund cost of this project is $236,017. The Investment and Development Funds were leveraged with a matched from the lessee and Natural Resources Conservation Service (NRCS).

The outcome of the Brett Grey Ranch investment and development fund project is to maintain the carrying capacity at 16,200. This project has generated an IRR of 25%.

Big Springs Ranch Project

Project Type: Agricultural – Revenue Increase

The Board consolidated the 8,600 acre Big Spring Ranch in 2009 through the acquisition of 3,300 acres of private in-holdings that included water and improvements. The Big Springs Ranch is located in south central El Paso County, two miles east of the Town of Ellicott.

The investment funded a remodel of the existing ranch house, installed cross fences, replaced a livestock pump, and installed pipeline and stock tanks.

Project Summary

Timeline	
Project Start:	January 2010
Installation:	August 2011
Lease:	February 2011
Summary	
Status:	Complete
Outcome:	$11,638 revenue increase
Project Investment:	$59,088 I&D Fund $0 Other SLB $ **$59,088 Total**
Financial	
Payback (approx):	5 years
Return (IRR):	13.90%

This project increased annual revenues by an average of $11,638 based on fifty percent (50%) increase in the property's carrying capacity and a new rental stream from the remodeled house ($500/month).

Based on an investment of $59,088, this project generated an IRR of 14%.

Jack Canyon Ranch Project

Project Type: Agricultural – Revenue Enhancement

The Jack Canyon Ranch Project was aimed at increasing the carrying capacity for grazing on State Trust Land in Otero County. The 6,300 acre Jack Canyon Ranch is south of La Junta and just north of the Purgatoire River.

The ranch had a substandard water delivery system. It also needed additional cross fencing, water spring development, and a new pumping system, pipelines, and additional stock tanks. The present carrying capacity is 1,200 AUMs (Animal Unit Months) per year. This project increased carrying capacity to 1,500 AUMs per year, for an additional $5,000 in lease revenue annually.

Project Summary

Timeline	
Project Start:	August 2007
Installation:	January 2009
Lease:	June 2010
Summary	
Status:	Complete
Outcome:	$5,000 revenue increase
Project Investment:	$45,234 I&D Fund $0 Other SLB $ **$45,234 Total**
Financial	
Payback (approx):	8 years
Return (IRR):	8.1%

The Board authorized $45,234 as a cost share with Natural Resources Conservation Service (NRCS) and/or the lessee for this project. The project is expected to produce an IRR of 8% and will also help preserve the long-term value of the asset.

TJ Bar Ranch Lodge

Project Type: Recreation – Revenue/Value Enhancement

The TJ Bar Ranch Lodge provides recreational access to 7,000 acres of State Trust Land as well as neighboring wildlife properties. The State Land Board acquired the TJ Bar Ranch (4,400 acres) and neighboring Hughes Ranch (875 acres) in 2003 and 2005 respectively. These acquisitions were consolidated with existing state trust land (1,725 acres).

Project Summary

Timeline	
Project Start:	April 2006
Lease:	April 2006
Construction Start:	August 2006
Construction End:	September 2007
Summary	
Status:	Complete
Outcome:	$33,250 increase in revenue and $425,000 increase in value
Project Investment:	$100,000 I&D Fund $175,000 Other SLB $ **$275,000 Total**
Financial	
Payback (approx):	8 years
Return (IRR):	35.88%

The TJ Bar Ranch lessee was selected through a competitive bid process in 2006. In addition to new annual recreation revenues, the successful bid included a cost share proposal with the State Land Board in the construction of a 4,300 square foot lodge on the property.

The cost of constructing the lodge was $350,000, of which the Board paid $100,000 from the Investment and Development Fund. According to the terms of the lease, the State Land Board increases its equity in the lodge from 28% to 75% at the end of the ten year lease. Based on a projected value of $700,000, the State Land Board's equity would increase from $100,000 to $525,000. The remaining 25% equity ($175,000) may be purchased by the Board at the end of the ten year lease. The lease also increased the revenues from this property by $33,250 per year.

Irrigation Well Meters

Project Type: Agricultural – Revenue Maintenance

Project Summary

Timeline	
Project Start:	October 2006
Installation:	March 2007
Summary	
Status:	Complete
Outcome:	$65,815 net annual revenue maintenance
Project Investment:	$15,600 I&D Fund $0 Other SLB $ **$15,600 Total**
Financial	
Payback (approx):	>1 year
Return (IRR):	421.89%

This project provided funding for the installation of irrigation well meters required by a court order and the Division of Water Resources. Without these meters, the State Land Board would not be able to irrigate the affected properties and the associated lease revenues would have been reduced from $68,055 to $2,240 – a change of $65,815 annually.

On August 1, 2006, Water Court Order (Case No. 05CW12) was issued approving rules that govern the measurement of ground water diversions located in the Rio Grande Basin. These rules require that every non-exempt well (more than 50 g.p.m.) be equipped with an approved measuring device by March 1, 2007. The cost was $1,300 for each installed meter for 12 wells.

Six School Trust properties with 12 non-exempt wells were affected by the court order. Five of these are irrigated farmland and one is irrigated pasture. The table below displays a comparison of rent as irrigated and as non-irrigated.

Lease Number	Acres	Annual Income As Irrigated	Per Acre Income as Irrigated	Annual Income as Not Irrigated	Per Acre Income as Not Irrigated
42647	150.00	$6,006	$40.04	$250	$1.67
42634	640.00	$25,727	$40.20	$640	$1.00
42952	321.23	$12,490	$38.89	$350	$1.09
44279	160.00	$5,841	$36.51	$250	$1.56
42421	480.00	$16,254	$33.87	$500	$1.05
44800	160.00	$1,738	$10.86	$250	$1.56
TOTAL	**1,911.23**	**$68,055**		**$2,240**	

The Board authorized $15,600 in funding for the installation of these meters. As shown above, this project assured the continued annual income of $68,055 as opposed to the alternative of $2,240 in annual revenue and the historic loss of the use of the wells.

Muddy Creek Water System

Project Type: Agricultural – Revenue Enhancement

This investment funded a water distribution system on a 1,080-acre parcel in Morgan County.

The property suffered from many years of overgrazing primarily because the property lacked a water system that would allow for a viable rotational grazing plan. Cattle could not be effectively moved from pasture to pasture.

Project Summary

Timeline	
Project Start:	December 2005
Installation:	July 2006
Lease:	October 2006
Summary	
Status:	Complete
Goal:	$7,067 revenue increase
Project Investment:	$39,900 I&D Fund $0 Other SLB $ **$39,900 Total**
Financial	
Payback (approx):	6 years
Return (IRR):	15.28%

The total cost for the water system was $50,000 of which the Board authorized $39,900 from the Investment and Development Fund. The United States Department of Agriculture's EQUIP program paid the difference. The water system included a well, pump, pipeline, water tanks and the electricity necessary to run the system.

The Board approved a new lease on the property in October 2006 which resulted in increased annual revenues of $7,067 and an IRR of 15%.

Riverside Ditch Pivot

Project Type: Agricultural – Revenue Enhancement

This project involved a sprinkler irrigation investment on a 130-acre parcel located in north central Morgan County.

The property had been flood irrigated for many years using water from the adjacent Riverside Ditch. The property produced a low yield and a low lease rate. In fact, due to the marginal crop production, the property was under consideration for reversion to grazing.

Project Summary

Timeline	
Project Start:	August 2005
Installation:	January 2006
Lease:	March 2006
Summary	
Status:	Complete
Outcome:	$14,501 revenue increase
Project Investment:	$108,457 I&D Fund $0 Other SLB $ **$108,457 Total**
Financial	
Payback (approx):	7.5 years
Return (IRR):	10.22%

In 2005, the Board approved the purchase and installation of a sprinkler irrigation system at a cost of $108,457. Two center pivot sprinklers (one of which is pictured) and associated infrastructure were installed on the property which irrigated 100 acres.

Through a competitive bid process, the lease rate was set at $135.78 per acre or $14,500 annually (vs. $1.64/acre or $210 annually for grazing) and produced an IRR of 10%.

Chico Basin Water Project

Project Type: Agricultural – Revenue Maintenance

When complete, this project will install a water distribution system (storage tanks, pipeline, and a well) and a new cross fence on 4,815 acres of State Trust Land adjacent to the Chico Basin Ranch in north central Pueblo County. Without reliable water source and distribution, the current carrying capacity of 1,000 AUMs will be reduced to prevent further overgrazing, which is a reduction of about $6,500 per year. The Board will pay for half of the cost of the improvements with NRCS providing the other half.

To continue providing a return to the trust, the property needs infrastructure improvements. The lessee was unable to utilize the parcel for the entire grazing season twice over the past 6 years. During 2010 grazing season all three of the small livestock ponds dried up.

This project is anticipated to generate an IRR of 8%.

Project Summary

Timeline	
Project Start:	January 2011
Installation:	December 2015
Lease:	December 2015
Summary	
Status:	Ongoing
Outcome:	$6,477 revenue
Project Investment:	$43,407 I&D Fund $0 Other SLB $ **$43,407 Total**
Financial	
Payback (approx):	5 years
Return (IRR):	8.03%

Conservation Services

Project Type: Surface – Revenue/Value Enhancement

Conservation Services projects funded through the Investment and Development Fund provide the foundation for the State Land Board focus on strengthening the long-term sustainability and stewardship of all state trust lands while generating reasonable and consistent revenue over time for its trust beneficiaries.

The State Land Board's goal is to substantially increase long-term stewardship of all state trust land, including those in the Stewardship Trust, while also developing new revenue streams.

Project Summary

Timeline	
Project Start:	2012
Project End :	2020
Summary	
Status:	Ongoing
Goal:	$2.6 million revenue
Project Investment:	$694,000 I&D Fund $1,700,000 Other SLB $ **$1,987,735 Total**
Financial	
Payback (approx):	8 years
Return (IRR):	5.5%

The State Land Board's first step was to identify and assess threatened and critical natural resources through a series of new field inventories. These inventories with assist with the realignment of the Stewardship Trust using new biological data, new tools and inventorying techniques, and a new understanding of the role of biodiversity to support the long-term sustainability and resiliency of its lands for future beneficiaries.

The second step is to use the field inventories to develop new revenue streams through new and emerging regulatory programs and other conservation revenue opportunities. The Board approved funding from the Investment and Development Fund for a demand analysis for ecosystem services that provided up-to-date information about the market for different types of ecosystem services and specific recommendations for entering these emerging markets.

The Board also approved an in-depth, functional analysis of its wetland properties in Park County to further explore potential for a wetland mitigation bank in this area. This

analysis is an example of the natural outcome of the field inventories described above: a more in-depth evaluation of state trust lands that demonstrate high potential to generate revenue through compensable ecosystem services – including wetland, stream and wildlife habitat mitigation banks or programs.

The State Land Board estimates that this set of projects will generate $2.6 million in conservation revenues over 10 years based on an expenditure of $1.9 million. Most of the revenue and expenditure for these projects occurs towards the end of the ten year period. The conservation services project is anticipated to produce an IRR of 5.5% and also strongly supports the stewardship part of the State Land Board's mission.

APPENDIX B
COMMERCIAL AND DEVELOPMENT PROJECTS

1127 Sherman Office Building

Project Type: Commercial – Value Enhancement/Revenue Increase

Project Summary

Timeline	
Project Start:	May 2006
Building Permit:	March 2008
Construction Start:	April 2008
Construction End:	March 2009
LEED Certification:	December 2009
Summary	
Status:	Complete
Outcome:	$318,421 annual cost savings &new revenue = 100% occupancy
Project Investment:	$250,000 I&D Fund $4.41 million Other SLB$ **$4.66 million Total**
Financial	
Payback (approx)	3 years
Return (IRR):	10.97%

This investment funded planning and designing the construction of an 18,000 square foot LEED[1] certified office building at 1127 Sherman in Denver. This project increased the Board's annual revenue by over $300,000 through a combination of a lease savings from State Land Board central offices as well as new lease revenues from third party tenants.

The 1127 Sherman Street property was a small parking lot wedged between two residential buildings. The land was donated to the State Land Board by several families in 1994 and became a monthly parking lot. The 26-space parking lot earned approximately $7,000 and the 2008 appraised value of the land was $420,000.

At the end of FY 2005-06, the State Land Board analyzed several redevelopment options regarding the 1127 Sherman lot. A three-story office building was determined to be the most cost-effective option. The Board authorized $250,000 of Investment and Development funds in October 2006 to begin the planning process. The Board contracted with a development services firm to build the building based on State Land Board specifications.

In April 2009, the State Land Board relocated its central offices to 1127 Sherman. The building received official LEED certification in December 2009. In 2011 and 2012, the State Land Board signed tenants to occupy the first floor, achieving 100% occupancy.

This investment generated an IRR of 11% based on the net rent savings and income from third tenants.

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[1] LEED is Leadership in Energy and Environmental Design

Mason Street Building Remodel

Project Type: Commercial – Value Enhancement

Project Summary

Timeline	
Project Start:	September 2006
Construction Start:	December 2006
Construction End:	August 2007
Property Sold:	March 2008
Summary	
Status:	Complete
Outcome:	$2.2 million
Project Investment	$631,428 I&D Fund $0 Other SLB $ **$631,428 Total**
Financial	
Payback (approx):	2 years
Return (IRR):	14.46%

This investment funded the remodel and subsequent disposal of a vacant office building in Fort Collins.

The State Land Board acquired the 22,000 square foot Mason Street Building through a land exchange in 1993. From 1993 to 2004, the building was leased to various state and local governmental agencies and produced over $200,000 per year. During the summer of 2004, these governmental tenants vacated the building due to individual agency consolidation efforts. From 2004 until it was sold in 2008, the Board was unable to find tenants for the building.

The Board approved the project to remodel the Mason Street Building in September 2006 which included the installation of an elevator. A construction contractor was selected in December 2006 through a public bid process. The costs to remodel the building totaled $631,428.

Before Remodel

After Remodel

During the renovation project, the office market in Fort Collins continued to decline. Therefore, even though the remodel was complete in August 2007, the State Land Board continued to struggle to find tenants and subsequently made the decision of sell the property in 2007 for $2.2 million.

This project generated an IRR of 14.5% over the life of the State Land Board's ownership of the building.

APPENDIX B
COMMERCIAL AND DEVELOPMENT PROJECTS

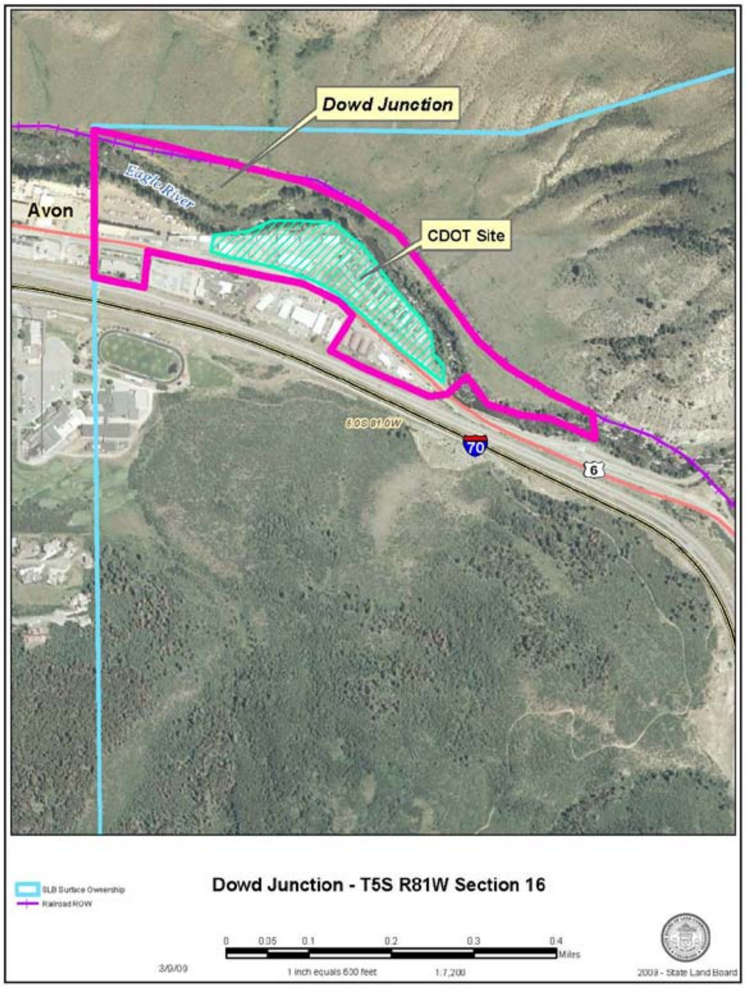
Dowd Junction

Project Type: Development – Revenue/Value Enhancement

The Dowd Junction project involves the planning and redevelopment of approximately 18 acres at Dowd Junction between Vail and Avon in Eagle County. Given its proximity to I-70, Highway 6, and the Eagle River, the Dowd Junction parcel is greatly under-utilized with aging commercial development. This parcel is bordered by Avon and by US Forest Service land. It is approximately one mile west of Vail and half a mile northwest of Minturn. While this parcel is a full Section 16, much of the parcel is undevelopable due to mountainous terrain, geologic hazards, and lack of access. Currently, only 18 acres is being utilized for commercial purposes.

Project Summary

Timeline	
Project Start:	March 2009
Planning Complete:	June 2013
Ground Lease:	December 2014
Summary	
Status:	Ongoing
Outcome:	$31.0 million value increase
Project Investment:	$8,625,000 Land Value $400,000 I&D Fund $0 Other SLB $ **$9,025,000 Total**
Financial	
Payback (approx):	6 years
Return (IRR):	36.05%



The State Land Board believes the current commercial uses at Dowd Junction are not at their highest and best use for developable ground. This entitlement project seeks to rezone the property for mixed use (commercial and residential) within the current Eagle County jurisdiction. Eagle County is currently undertaking an update to the County Comprehensive Plan for this purpose. Following the adoption of the Comprehensive Plan update, the State Land Board intends to pursue rezoning of the property to mixed use. This would increase the density allowed on this site ten-fold. This project also seeks to clean up the current encumbrances on the property to prepare for re-development. The largest encumbrance is a 9.7 acre perpetual right-of-way, granted in 1968 to the Colorado Department of Transportation. As part of a parallel exchange with Eagle County and the US Forest Service, the State Land Board will acquire a more appropriate parcel to which this CDOT facility can be relocated.

The Board authorized $400,000 of Investment and Development Funds at its March 2009 meeting for this planning effort. The State Land Board expects this project to more than quadruple the value of the Dowd Junction parcel from $8.6 million to $39 million by 2014.

This project is anticipated to produce an IRR of 36%.

EBY Section 16

Project Type: Development – Value Enhancement

Project Summary

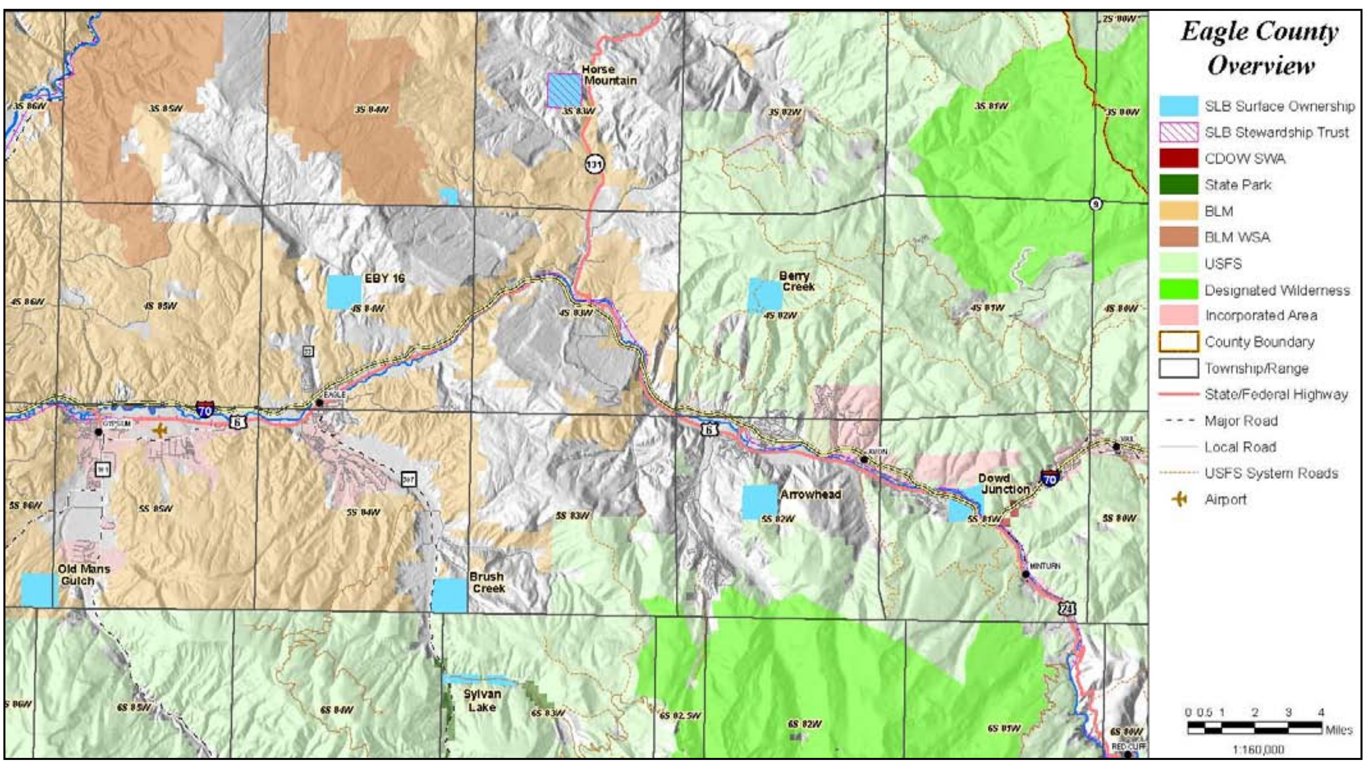
Timeline	
Project Start:	November 2009
Option Acquisition:	December 2009
Target Disposition:	2014
Summary	
Status:	Ongoing
Outcome:	$2.8 million increase in value
Project Investment:	$1,050,000 Land Value $470,000 I&D Fund $0 Other SLB **$1.6 million Total**
Financial	
Payback (approx.):	5 year
Return (IRR):	20.56%

This investment bought out an exclusive option to purchase state trust land in Eagle County. With the property is no longer subject to this contract option, the Board is able to dispose of the Eby Section 16 property at its current market value.

In 1996, the Board granted a private party an exclusive option to purchase the Eby Section 16 parcel for $580,000. This was a projected value based on the assumption that the private party would entitle the property without assistance by or cost to the Board, and yet the Board would receive the benefit of a higher value property.

The State Land Board negotiated to buy the option contract and thus avoid having to sell Eby Section 16 for less than its market value. To this end, the Board expended $470,000 from the Investment and Development Fund on December 30th 2009.

The buyout cost was much less than the value of the property. Based on independent appraisals of parcels in Eagle County, the Eby Section 16 parcel is estimated to be worth about $5,000 per acre or $3.2 million in FY 2011-12. This value is expected to grow to $6,000 per acre or $3.8 million by 2014. This project is anticipated to produce an IRR of 21%.



Lochbuie PUD

Project Type: Development – Value Enhancement

Project Summary

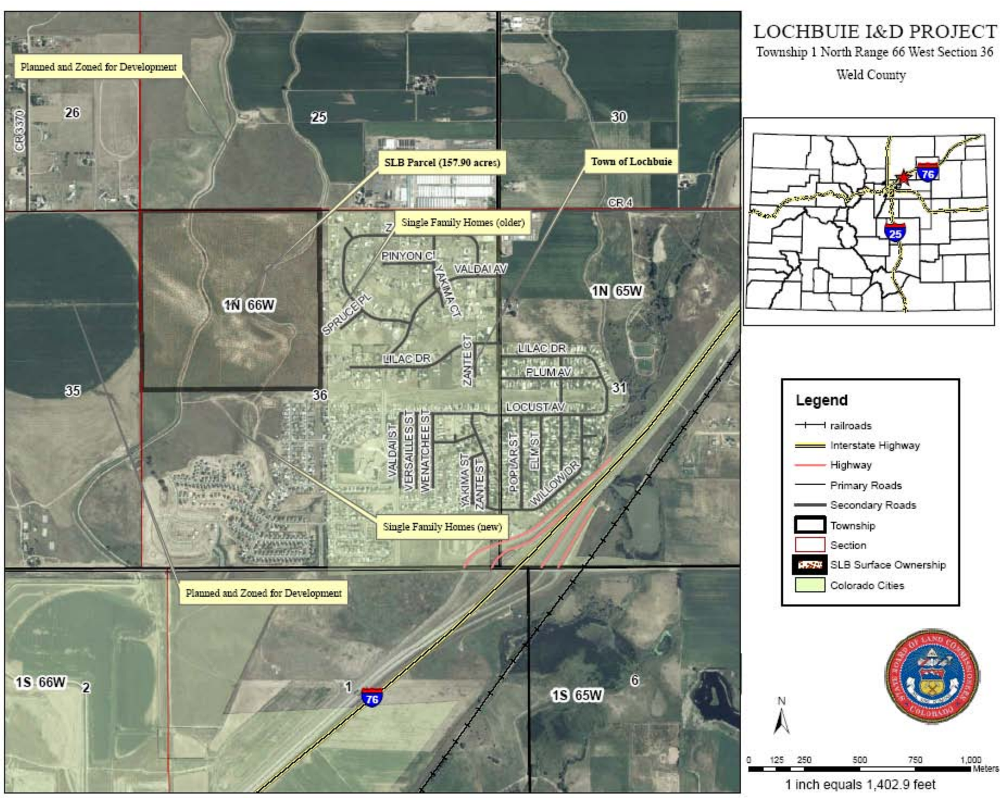
Timeline	
Project Start:	August 2005
Planning Complete:	September 2008
Annexation:	November 2008
Target Disposition:	December 2015
Summary	
Status:	Ongoing
Outcome:	$1.7 million increase in value
Project Investment	$1.3 Million Land Value $102,913 I&D Fund $41,454 Other SLB $ **$1,6 million Total**
Financial	
Payback (approx):	10 years
Return (IRR):	7.4%

The Lochbuie PUD (Planned Unit Development) project involves the annexation, rezoning, and disposal of a 158-acre State Land Board parcel north of the town of Lochbuie in Weld County. All planning has been completed and the property has been annexed by the Town of Lochbuie.

In November 2008, the town's Board of Trustees approved the annexation and rezoning of the State Land Board's property into the Town of Lochbuie. The property was rezoned as Commercial Mixed Use with a Planned Unit Development. Development rights were vested for twenty years.

Economic conditions have significantly impacted the value of the Lochbuie property but we believe the current value is $3.0 million which represents a 200% increase due to the State Land Board's rezoning efforts.

The project is anticipated to generate an annual return of 7% based on the current stagnant market conditions for development. This anticipated return could improve substantially with improvement in the development market.



Broomfield (Arista)

Project Type: Development - Value Enhancement

Project Summary

Timeline	
Project Start:	July 2005
Planning Completion:	October 2008
Target Disposition:	December 2015
Summary	
Status:	Ongoing
Outcome:	$2.2 million value increase
Project Investment:	$770,000 Land Value $13,450 I&D Fund $955,450 Other SLB $ **$1.7 million Total**
Financial	
Payback (approx):	10 years
Return (IRR):	12.59%

This project completed the Planned Urban Development (PUD) entitlement of a seven-acre parcel in Broomfield located between Wadsworth Blvd. and U.S. Highway 36. All planning on this property is complete.

The State Land Board had been working on this property prior to the creation of the Investment and Development Fund and was attempting to take advantage of development plans on adjoining private property. Initial planning efforts by the private developer did not include the State Land Board parcel.

The Board authorized Investment and Development funding in order to complete the negotiation with the neighboring developer – Park 36 – which allowed the property to be included in the Broomfield Urban Transit Village PUD.

In September 2005, the City and County of Broomfield approved the Broomfield Urban Transit Village PUD.

The State Land Board expects to realize an increase to the property's value from $770,000 (2005) to $3.0 million (2015 est.) which would generate a 12.6% internal rate of return.

Granby Overlook

Project Type: Development – Value Enhancement

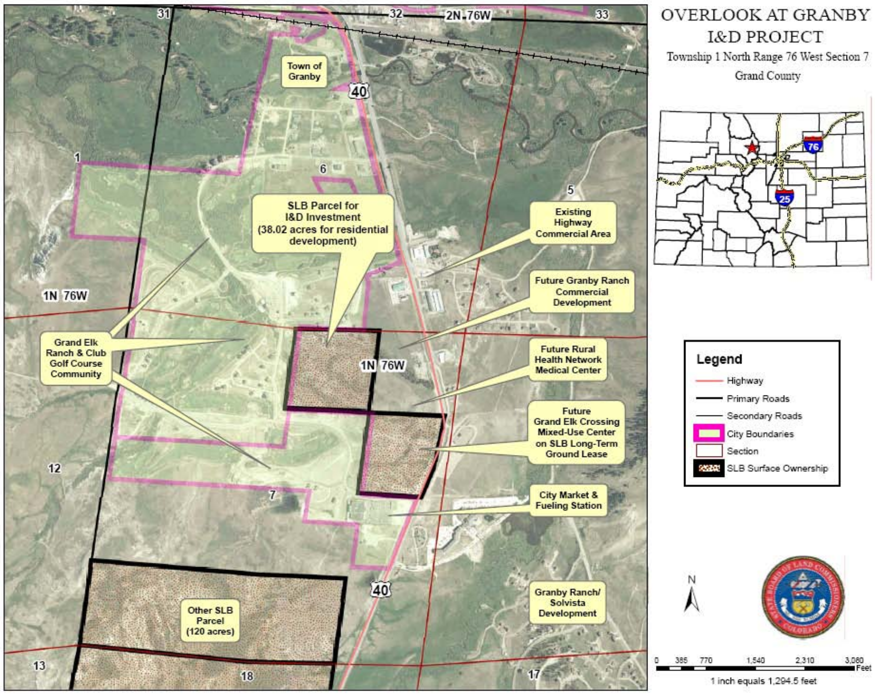
Project Summary

Timeline	
Project Start:	August 2006
Planning Complete:	January 2009
Formal Rezoning:	July 2009
Target Disposition:	By December 2019
Summary	
Status:	Ongoing
Outcome:	$3.4 million increase in value
Project Investment:	$684,360 Land Value $259,000 I&D Fund $1,700,000 Future I&D $28,735 Other SLB$ **$2,672,095 Total**
Financial	
Payback (approx):	12 years
Return (IRR):	14.57%

The Granby Overlook project is a 38-acre parcel on the south side of the Town of Granby in Grand County. This investment allowed the State Land Board to complete the final development plan (below) or "final plat" with the Town of Granby. The development plan calls for a mix of single-family detached homes and multi-family residential and commercial uses. All planning has been completed and development approval has been vested for 10 years (until July 2019).

The property is well positioned for development when the market recovers. It has been annexed into the town of Granby and Winter Park Resort, the state's fifth largest ski area, is just 15 miles south of the project. Rocky Mountain National Park lies 15 miles north of the project. The property has good access to commercial development and sits on a high point in the area.

APPENDIX B
COMMERCIAL AND DEVELOPMENT PROJECTS



The total cost of the project is about $287,735 with $259,000 from the Investment and Development Fund. $1.7 million in future fees remain to be paid to the Town of Granby at the time building permits are issued in order to develop and fully vest the plat. The target disposition of the property is no later than 2019.

Based on current prices in the surrounding area and the approved density of the project, a sales price of $6.4 million is the current estimate of the potential value of the site in 2019. The project is anticipated to generate an IRR of 14.6%.

APPENDIX B
MINERALS AND ENERGY

Lowry Range

Project Type: Mineral – Revenue Enhancement

This project involves planning and leasing efforts at the Lowry Range Property which produced an historic oil and gas lease in 2012. The Lowry Range is a 26,000 acre/40-square mile parcel of School Trust property on the southeastern side of Metro Denver, just east of Aurora in unincorporated Arapahoe County.

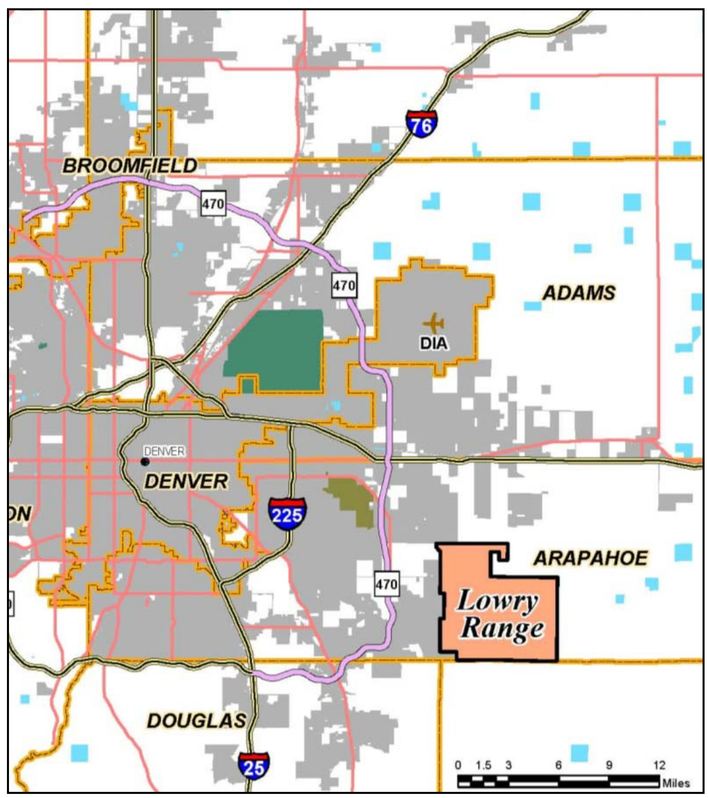
Mostly acquired by the State Land Board in the late 1960s, the Lowry Range is one of the largest parcels under single ownership next to a major metropolitan area in the United States. The State Land Board has long believed that this property has tremendous short term development and long-term stewardship potential and has extensively studied the parcel for over 20 years.

Project Summary

Timeline	
Project Start:	June 2009
Project End:	June 2016
Summary	
Status:	Complete
Outcome:	$74 million oil and gas bonus enhancement
Project Investment:	$63.1 million in bonus revenue $8.0 million I&D Fund **$71.1 million Total**
Financial	
Payback (approx):	3 years
Return (IRR):	40.99%

PHASE I

The first plan, formally adopted by the Board in 2006, divided the property into 4,000 acres of residential/commercial development, 5,000 acres of water development, and 17,000 acres of conservation. The Board conducted a public RFP and selected Lend Lease for the development parcel and a consortium of conservation organizations called the Arapahoe Grasslands for the conservation parcel.



Unfortunately, this effort ended in 2009 with the termination of the development agreement between the State Land Board and Lend Lease. As part of the 2009 termination settlement, the Board paid $4.5 million from the Investment and Development Fund and received all the due diligence conducted by Lend Lease on the Lowry Range property.

PHASE II

Starting in 2010, the Board began its second major effort on the Lowry Range property. The Board updated the vision and plan to reflect changes in market economic conditions, lack of a realistic real estate development prospects, and the increased potential of oil and gas development.

While the short-term residential/commercial development potential of the Lowry Range declined, the oil and gas development potential increased significantly based on input on horizontal oil and gas drilling particularly the Niobrara formation which underlies much of the Front Range.

The State Land Board sought to balance the oil and gas development with the long-term surface stewardship. Hence, the Board approved up to $3.5 million from the Investment and Development Fund to produce unique oil and gas lease document as well as a leasing process that resulted in a long-term oil and gas development partner. The successful oil and gas lease bidder had to demonstrate deep prior experience with large-scale oil and gas field development and also be a thoughtful steward, respecting the property's natural values and the Board's long term goals.

At its March 2012, the Board awarded the Lowry Range oil and gas lease to the ConocoPhillips Company. For this lease, ConocoPhillips Company will pay the State Land Board $27.4 million each of the following five (5) years starting in FY 2011-12 for a total bonus payment of $137 million. In addition to this bonus payment, ConocoPhillips will pay royalties when oil and gas is withdrawn from the property.

FINANCIAL ANALYSIS

The State Land Board believed that the Lowry Range oil and gas lease would produce a bonus of $3,000 per acre. This estimate is three (3) times the average per acre bonus the Board had received in the area over the prior 12 months. Based on market specialists' statements, the State Land Board believed that the large, single-owner Lowry Range parcel would garner a premium despite the surface stewardship restrictions. For purposes of these calculations, the State Land Board's basis in the Lowry Range is determined to be $71.1 million ($63.1 lease estimated bonus and $8.0 million in I&D fund expenditures.

The ConocoPhillips Company's bid was $6,500 per acres or two times the originally estimated bonus. As stated above the total bonus of $137 million will be paid to the State Land Board over a five year period. Future royalty revenues from this lease are not part of the financial analysis due to their speculative nature.

Based on these expenditures and basis calculations, the Lowry Range investments produced an IRR of 40.6%.

San Juan Basin Audit

Project Type: Mineral – Revenue Increase

This project concerns an audit of the School Trust's coal bed methane gas leases with BP Amoco in the San Juan Basin. The audit's goal was to determine if the lessee was taking cost deductions that were not allowed under the Parry v. Amoco decision as well as to investigate pricing and volume discrepancies.

The Board authorized funding for a contract auditor in 2005. Based on the contract audit findings, the State Land Board issued a request in June 2007 to recover the back payment of approximately $170,000 plus an adjusted future revenue stream. This resulted in a $61,000 per year revenue increase due to the elimination of the improper deductions and volumes issues. BP Amoco agreed with findings and tendered payment in 2008.

Project Summary

Timeline	
Project Start:	September 2005
Audit Finding:	June 2007
Audit Collection:	December 2008
Summary	
Status:	Complete
Outcome:	$60,600 increase in revenues plus one time back payment of $170,000
Project Costs	$64,000 I&D Fund $0 Other SLB $ **$64,000 Total**
Financial	
Payback (approx):	>1 year
Return (IRR):	127.9%

Table Mountain

Project Type: Mineral – Revenue Increase

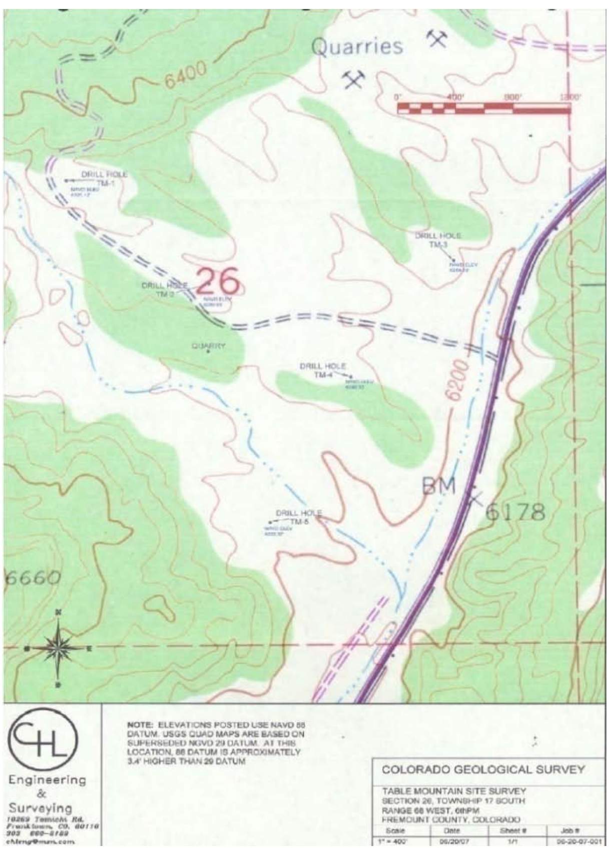
Project Summary

Timeline	
Project Start:	March 2007
Due Diligence:	September 2007
Auction:	February 2008
Summary	
Status:	Complete
Outcome:	$62,000 bonus payment and $50,000 in annual royalties.
Project Investment	$52,500 I&D Fund $0 Other SLB $ **$52,500 Total**
Financial	
Payback (approx):	>1 year
Return (IRR):	82.97%

This investment allowed the Board to lease a gypsum mineral deposit on the School Trust's Table Mountain property in northern Fremont County. The subsequent lease produces about $50,000 in annual royalties.[2]

The Table Mountain property has been considered for gypsum mining in the past but has yet been developed. The property has only limited outcrops for geologists to study and ascertain tonnage and grade.

Moreover, the logistics of issuing exploration permits to interested parties so they may contract with drilling companies, assay companies, and conduct the appropriate reclamation may cause these companies to lose interest in leasing the property much less show up at a lease auction.



Consequently, the State Land Board contracted with Colorado Geological Survey (CGS) to conduct due diligence on the deposits. They core drilled the property, assay split cores for chemical content, and provided thickness and grade information for the calculation of minable and overburden tonnage. The State Land Board made this information available to all interested parties for lease bidding purposes.

On February 21, 2008, the Board auctioned the lease. The successful bid was $62,000. The lease produces about $50,000 per year in royalty payments for the School Trust. This project produced an IRR of 83%.

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[2]The original projection for this project generated a 158% return and a net present value of $1.7 million. However, the mining lessee produced lower royalty payments to the State Land Board based on the quality of gypsum deposit and overall demand for the product.

70 Ranch

Project Type: Mineral – Revenue Enhancement

Project Summary

Timeline	
Project Start:	March 2012
Project End:	August 2016
Summary	
Status:	Ongoing
Goal:	$29.5 million oil and gas bonus enhancement
Project Investment:	$28.2 million in bonus revenue $100,000 I&D Fund **$28.3 million Total**
Financial	
Payback (approx):	>1 year
Return (IRR):	57.65%

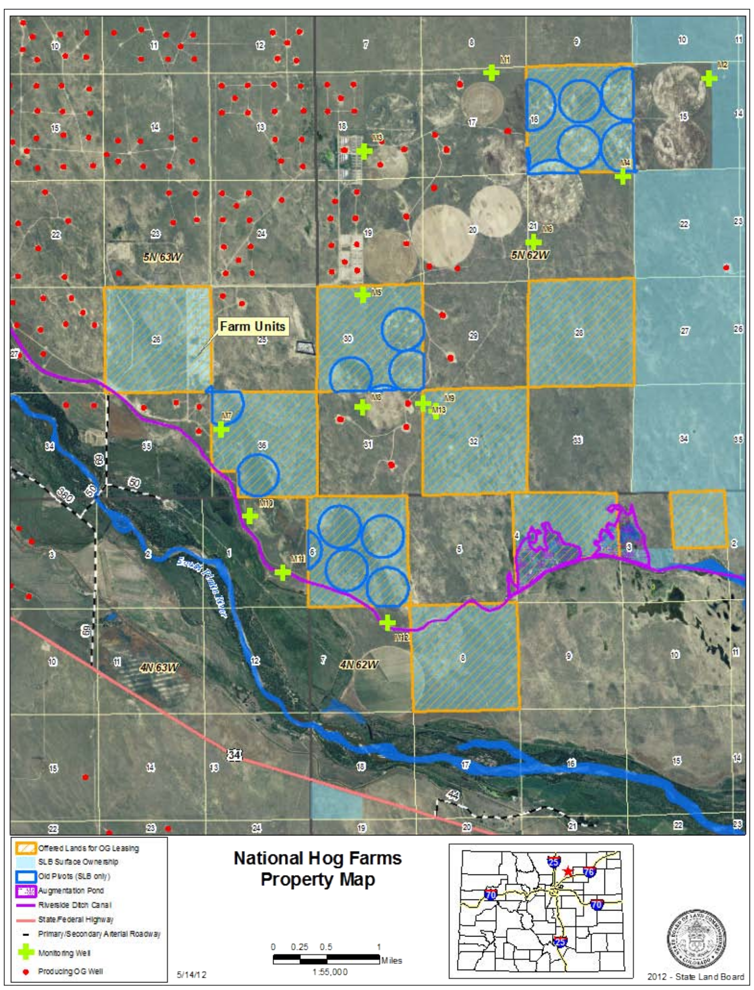
This investment is targeted to increase the oil and gas proceeds generated by leasing on the former National Hog Farm (NHF) property now called the 70 Ranch property.

70 Ranch is located in Weld County approximately 8 miles east of the town of Kersey. The State Land Board owns surface and minerals covering 5,600 acres in ten sections. The State Land Board sections are non-contiguous and laid out in a checkerboard pattern (see map) with some having section corner contact.

The property was previously part of the National Hog Farm operation that occupied the property from 1989 to 2011. Due to the National Hog Farm operation and associated lease this property has not been previously offered for oil and gas leasing.

Based on the success of the Lowry Range property, the State Land Board authorized $100,000 to hire contractors to assist with managing, marketing, and leasing this unique and highly prospective property.

The Board approved the issuance of an RFP to lease the oil and gas rights under the property at its June 2012 meeting. The highest bid that also met all of the Board lease requirements was for $10,650 per acre or $60 million which will be paid to the State Land Board over the next five years



FINANCIAL ANALYSIS

The State Land Board believed that the NHF oil and gas lease would produce a bonus of $5,000 per acre based on leasing activity close by. For purposes of these calculations, the Board's basis in the 70 Ranch is estimated at $28.3 million ($28.2 lease estimated bonus and $100,000 in Investment and Development fund expenditures.

The successful bid was $10,650 per acre or two times the estimated bonus. This project produced an average annual return of 58%.

APPENDIX B
MINERALS AND ENERGY

Mountain to Plains

Project Type: Mineral – Revenue Increase

Project Summary

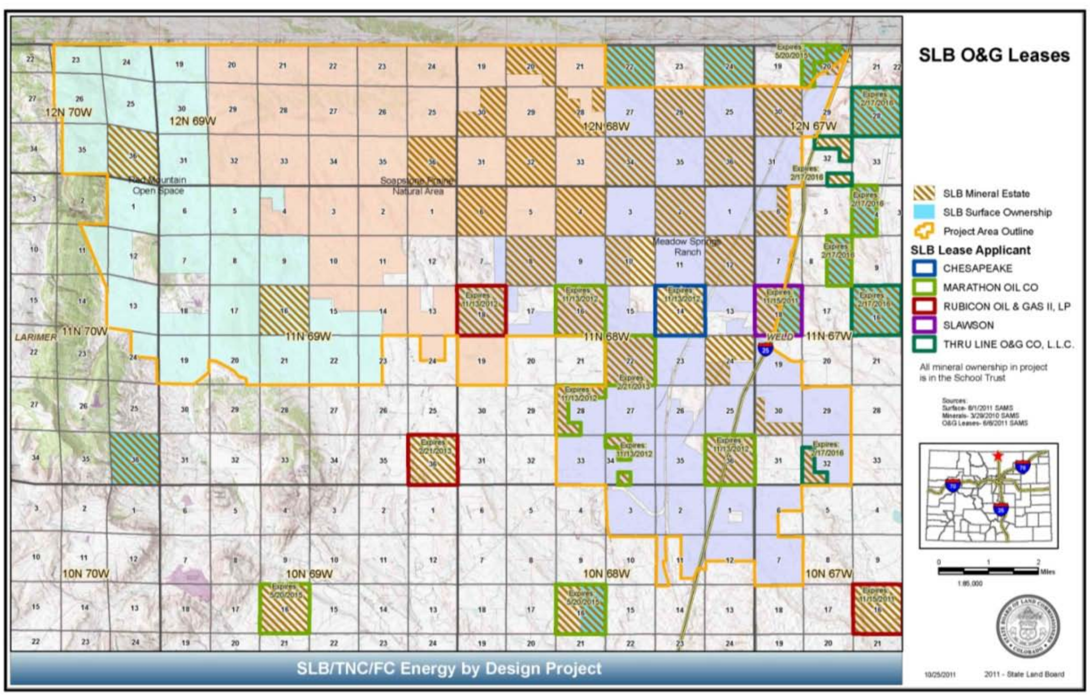
Timeline	
Project Start:	November 2011
Project End:	June 2013
Summary	
Status:	Ongoing
Outcome:	$657,000 in annual royalties
Project Investment:	$100,000 I&D Fund $0 Other SLB $ **$100,000 Total**
Financial	
Payback (approx):	1 year
Return (IRR):	82.97%

This project concerns leasing oil and gas mineral estate in a high-profile area and achieving better access to mineral estate to enhance revenues where the State Land Board does not own the surface estate (termed "severed mineral estate").

The State Land Board (SLB) owns approximately 15,718 acres of severed mineral estate in northern Larimer County underlying three open space parcels covering nearly 60,000 acres along the Colorado/Wyoming border. Most of these open space parcels are owned by Larimer County and the City of Fort Collins.

The open space parcels are ranked by Colorado Natural Heritage Program as having "very high" (B2) and "high" (B3) biodiversity significance and are identified by the Colorado Oil and Gas Conservation as "Sensitive Wildlife Areas" for mule deer critical winter range, elk production areas, and pronghorn winter concentration areas. The City of Ft. Collins and Larimer County have developed recreational infrastructure on two of the parcels and have compiled inventories of natural and cultural resources.

In order to pursue oil and gas leasing and generate the associated revenues, the State Land Board contracted with TNC to lead a collaborative effort with the surface owners (Larimer County and the City of Fort Collins) for oil and gas development and a surface use agreement that provides access to the state's mineral estate, with specific strategies to avoid and minimize surface impacts to key natural and cultural resource values. The estimated project cost for this Energy by Design Project is $100,000 and the State Land Board expects to lease the property for oil and gas in 2013. Once leased, the State Land Board expects to earn about $500,000 in bonus and new annual mineral royalties. This project is anticipated to generate an IRR of 83%.



APPENDIX B
PROGRAM INCOME AND EXPENDITURES

Centennial Hanger

Project Type: Program – Revenue Enhancement

Project Summary

Timeline	
Project Start:	January 2008
Board Approval:	April 2008
Property Acquired:	June 2008
Summary	
Status:	Complete
Goal:	$100,000 increase in average annual revenue
Project Costs	$0 I&D Fund (FTE only) $650,295 Other SLB $ **$650,295 Total**
Financial	
Payback (approx):	6.5 years
Return (IRR):	12.18%

This project concerns the acquisition the Centennial Hanger which generates $100,000 in average annual revenue for the School Trust and gives the Colorado State Patrol a long term home for the majority of its aircraft fleet, including the State Plane. This project was managed by FTE funded by the Investment and Development fund.

Centennial Airport opened in May 1967 as a general aviation reliever airport for Stapleton International Airport. The Centennial Airport has grown steadily to become the 3rd busiest General Aviation airport and among the 25 busiest airports in the United States. Centennial Airport is an international facility with 24 hour US Customs, and a 24/7 Federal Aviation Administration control tower, and all weather capability.

The Colorado State Patrol hangar property includes 13,212 square feet, of which 7,200 square feet is the hangar footprint and the remaining consists of a concrete staging area. The hangar was under a five-year lease to the Colorado State Patrol which was set to expire June 30, 2008. The lease terms provided the tenant, or another State agency, the option to purchase the hangar at the expiration of the lease for about $650,000.

In cooperation with the Colorado State Patrol, the Governor's Office, and Department of Personnel and Administration, the Board authorized the acquisition of the Centennial Airport Hangar and subsequent lease to the Colorado State Patrol at its April 2008 meeting.

The project produced an IRR of 12%.

APPENDIX B
PROGRAM INCOME AND EXPENDITURES

Communication Tower Lease Revenues

Project Type: Program – Revenue Enhancement

This project concerns the increases to School Trust revenues through a communication tower leasing program managed by Investment and Development Fund positions. These revenues could not have been developed without the FTE staff support.

In FY 2009-10 and FY 2010-11, State Land Board completed six new tower leases with Verizon, AT&T, T-Mobile, and Cricket Wireless. These leases generated initial payments of $330,274 in 2009 and 2010, and continue to generate $110,000 in average annual revenue for the School Trust throughout the terms of the leases.

Project Summary

Timeline	
Project Start:	July 2009
Project End:	June 2019
Summary	
Status:	Ongoing
Goal:	5% annual revenue increase
Project Investment:	$0 I&D Fund (FTE only) $0 Other SLB **$0 Total**

Program Costs

Project Type: Program Expenditures

The Investment and Development Statute provides flexibility for the State Land Board to hire staff and contract for services that increase income for and value of School Trust assets.

For the past several years the State Land Board has utilized up to 4.0 FTE and associated program expenditures to support Investment and Development Fund projects. From FY 2005-06 (when the Fund was created) to FY 2011-12, the State Land Board has spent $1.4 million on salaries and business planning activities from the Investment and Development Fund. Due to increased focus on business related activities, the State Land Board expects to spend an additional $2 million in salaries and business planning expenditures over the next five years. Future expenditures estimates are dependent on a number of variables and may not occur. All expenditures are used to support increasing income and value of School Trust assets.

Project Summary

Timeline	
Project Start:	2006
Project End:	2017
Summary	
I&D Fund Expenditures:	$1.4 million (FY06-FY 12) $2.0 million (FY 13-FY17) **$3.4 million Total**

APPENDIX B
INACTIVE PROJECTS[3]

6th and Kipling Project

Project Type: Development – Revenue Increase *Amount Spent: $50,000*

This project concerns a 16-acre parcel of School Trust land located near the intersection of 6th Avenue (US 6) and Kipling Street in Lakewood. The property is currently vacant. The property is a well located development site. However, the property has several constraints that limit its development potential. The most significant of these is full-turn access to Kipling Street north of 6th Avenue.

The State Land Board spent $50,000 from the Investment and Development Fund for project planning of the site. This planning assistance included an environmental assessment, title review, ALTA property survey and a marketing package for distribution to interested developers. The goal of the project planning was to produce a ground lease with a developer who could resolve the development constraints and generate a return for the State Land Board. The developer terminated the agreement due to the economic downturn. Prior to cancellation, however, the Board received approximately $200,000 in lease income over four years, quadrupling its initial investment. The State Land Board continues to work with the City of Lakewood, on this project and anticipates issuing an RFP for a development partner in the first quarter of 2014.

Arvada PUD

Project Type: Development – Value Enhancement *Amount spent: $20,000*

This project involves entitlement of a 28-acre parcel of land within the City of Arvada. It is for which these funds were expended an infill development site which is already zoned as suburban residential. The conceptual planning process identified several issues with the property that need to be solved before further work can be done. Principal issues include access to the parcel and cost to entitle.

Cobb Lake, Larimer County

Project Type: Development – Value Enhancement *Amount Spent: $20,000*

The Cobb Lake parcel is a section of School Trust land located in the east central area of unincorporated Larimer County several miles east of Fort Collins. The property is currently zoned Open (O) which allows a cluster development of up to 64 single-family homes in accordance with the Larimer County Master Plan. The results of the planning study and appraisal identified no market demand for platted lots, a very stringent 80% open space requirement, and the inability to increase density. Consequently, this project was tabled while further opportunities are investigated and/or the real estate market recovers.

Douglas Reservoir, Larimer County

Project Type: Development – Value Enhancement *Amount Spent: $20,000*

This 626-acre parcel is located in the east central area of unincorporated Larimer County several miles north of Fort Collins on the shore of Douglas Reservoir. The results of the planning study and appraisal identified no market demand for platted lots, a very stringent 80% open space requirement, and the inability to increase density. Consequently, this project was tabled while further opportunities are investigated and/or the real estate market recovers.

[3] Investments to preserve current value but for which future direct repayment is difficult to forecast or not likely to be realized in the near term.

APPENDIX B
INACTIVE PROJECTS

Erie

Project Type: Development – Revenue Increase *Amount Spent: $176,000*

The Erie entitlement project was a $176,000 effort to annex and rezone a 420-acre parcel in Weld County which is east of the Town of Erie. The parcel is a remnant of an original section in Weld County, located one mile west of the Erie exit on I-25. The property is currently subject to a grazing lease and an oil and gas. The National Oceanic and Atmospheric Administration leases part of the property for a 1000-foot communication tower.

The Town of Erie has grown rapidly in recent years. The town has annexed several parcels near the School Trust property, one of which is immediately west of the property providing a common border between the School Trust parcel and the town. Parcels to the northeast of the State Land Board property have also been annexed and rezoned.

The original estimated value increase of this project has declined due to market conditions in recent years. With the downturn in the economy in 2009, the State Land Board stepped back from annexation discussions with the Town, feeling that the annexation and zoning were premature until a return of the housing market. Nonetheless, the State Land Board still expects the value of the property to be several times higher after annexation.

Platte River Water, Douglas County

Project Type: Commercial – Revenue Increase *Amount Spent: $21,256*

This project paid for the due diligence costs associated with a proposed acquisition of over 200 acre-feet of consumptive use water on the South Platte River. Once acquired, the water would have been leased to a water district which would have generated a very long-term low-risk income stream for the School Trust given the many complexities and risks associated with this purchase, and after some due diligence, the Board ultimately decided not to move forward with the water acquisition.

Powers Boulevard, El Paso County

Project Type: Development – Value Enhancement *Amount Spent: $20,000*

This project involves a 320-acre parcel of land located in El Paso County. The property is well located between the City of Fountain and Colorado Springs. The western boundary of the property, Powers Boulevard, is the primary north/south bypass of I-25 for eastern Colorado Springs and is a major commercial development corridor. Also, there are several future plans to have arterial roadways on the other three sides of the property. However, based on conceptual plans and market analysis, development opportunities are not yet significant enough to justify further investment