

Transaction Report

Fiscal Year

2011-12

Annual report detailing acquisitions & disposals of trust lands

Colorado State
Board of Land
Commissioners

Colorado State Board of Land Commissioners Transaction Report | FY 2011-12

Introduction

As required by Section 36-1-153.5, C.R.S., the **Colorado State Board of Land Commissioners** is pleased to present its annual Transaction Report which details all land transactions completed in Fiscal Year 2011-12. The State Land Board is authorized to conduct land transactions (disposals and acquisitions) and is required to provide a summary report at the end of each fiscal year by November 1, detailing the closed transactions of acquisitions and disposals during that time period.

Summary

During FY 2011-12, the State Land Board completed thirteen different transactions. Five were acquisitions and eight were disposals.

The State Land Board acquired 1,304.36 acres in three separate transactions and received water shares in two different transactions. The value for these acquisitions totaled \$1,459,553 and included acreage in Pueblo County, Grand County and Kiowa County. The water shares are for assets in Morgan County, Larimer County and Weld County. One of the parcels was acquired to preclude residential development within a large landscape ranch in El Paso County, while another acquisition was completed with the potential to pursue residential development in Grand County. The other acquisitions related to supporting agricultural operations through providing access to surface water as well as actual water shares. All parcels and water shares acquired are in the School Trust.

The State Land Board disposed of 20,062.78 acres in eight separate transactions. The value for these parcels totaled \$3,585,944.57 for acreage in seven different counties. All of the transactions were for lands in the School Trust. Four of the disposals were relating to lands that were either encumbered by existing uses or were isolated parcels generating nominal returns. Two of the disposals were for residential lots as part of an ongoing development project. One transaction, with origins going back to the early 1900's, was specifically for a rural school district who was seeking to expand a school and required fee ownership of the property that had historically been provided through a right-of-way.

Complete descriptions of all the acquisitions and disposals are provided in the summary sections of this report on the following pages.

A complete table of the transactions is provided on the following page.

Closed Real Estate Transactions
FISCAL YEAR July 1, 2011 - June 30, 2012

TRANSACTION (TA) NAME	DISTRICT	COUNTY	PROPERTY TYPE	ACRES MORE OR LESS	EXCHANGE VALUE	PATENT/ DEED	DATE CLOSED	TRUST
ACQUISITIONS								
Weldon Valley Water	North Central	Morgan	water	4 shares	\$ 240,000.00	Certificate 01280	4/13/2012	School
Reble Property	Southeast	Pueblo	surface	623.36	\$ 283,600.00	Warranty Deed	9/9/2011	School
Trail Mountain	Northwest	Grand	surface	200.00	\$ 813,953.00	Warranty Deed	12/9/2011	School
NeeNoshe Reservoir	Southeast	Kiowa	surface	481.00	\$ 32,000.00	Warranty Deed	12/9/2011	School
North Poudre Irrigation Co.	Real Estate	Larimer/Weld	water	5 shares	\$ 90,000.00	Certificate 11836	9/9/2011	School
		TOTALS		1,304.36	\$ 1,459,553.00			
DISPOSALS								
TRANSACTION NAME	DISTRICT	COUNTY	PROPERTY TYPE	ACRES MORE OR LESS	EXCHANGE VALUE	PATENT/ DEED	CLOSED	TRUST
Keota	North Central	Weld	surface	40.00	\$ 11,600.00	8476	4/24/2012	School
Empire Reservoir	North Central	Weld	surface	640.00	\$ 208,000.00	8475	3/1/2012	School
Apishapa River	Southwest	Otero-Pueblo	surface	17,115.51	\$ 2,730,000.00	8472	11/9/2011	School
Prairie School	North Central	Weld	surface	21.40	\$ 3,745.00	8473	10/28/2011	School
Fox Canyon	Southwest	Las Animas	surface	640.00	\$ 150,150.00	8470	8/31/2011	School
Forest View/Owens - Lot 16	Real Estate	El Paso	surface	3.28	\$ 111,900.00	8471	8/30/2011	School
Forest View/Stone Cottage - Lot 34	Real Estate	El Paso	surface	2.59	\$ 103,508.95	8477	6/28/2012	School
Horse Creek	Real Estate	Lincoln/Crowley	surface	1,600.00	\$ 267,040.62	8480	6/6/2012	School
		TOTALS		20,062.78	\$ 3,585,944.57			

Summary of Acquisitions

Reble Property

At over 85,000 acres, the Chico Basin Ranch in Pueblo County is one of the largest parcels held by the State Land Board. This fiscal year, the State Land Board had an opportunity to purchase a privately-owned 623 acre inholding within the boundaries of the Chico. Not only did this provide for improved management of natural values on the ranch, but it also included mineral rights and prevents any possibility of residential development within a flagship property.

Trail Mountain

The Trail Mountain subdivision is located about 3.5 miles west of Grand Lake in Grand County. For \$813,953, the State Land Board was able to acquire about 200 acres of land in the subdivision, which is adjacent to a 120 acre parcel of Bureau of Land Management land and provides direct access to a formerly-landlocked section of trust lands. Getting access to this school section was key because the surrounding land is privately held and subdivided into rural residential tracts with upper-end homes. With incredible views of the Continental Divide and the Never Summer Range in Rocky Mountain National Park, this land has tremendous future development potential.

NeeNoshe Reservoir

The State Land Board has a 2,000 acre parcel in southern Kiowa County currently leased for agricultural purposes. The agricultural lessee currently receives water from NeeNoshe Reservoir but because the water level of the reservoir has dropped due to the drought, the cattle cannot water there. Attempts to drill for water on the trust lands have been unsuccessful and the cost of hauling water to the site is prohibitive. As such, the opportunity to acquire two different parcels which would allow direct access to NeeNoshe Reservoir and to an existing well was very attractive. The two parcels, totaling 481 acres, also provided access to a State Wildlife Area on adjacent Bureau of Land Management lands and could be added into the Public Access Program through Colorado Parks & Wildlife. The parcels were acquired for \$32,000.

Weldon Valley Water

Located in Morgan County, the Weldon Valley Irrigation Company ditch has some of the oldest water rights on the South Platte River. A lessee who decided to retire from farming approached the State Land Board about purchasing his four shares in the Weldon Valley Ditch. The shares of this senior water right could help support irrigated crops on state trust lands. These highly desirable shares were purchased for \$60,000 each or a total investment of \$240,000 made for these water rights.

North Poudre Irrigation Company (NPIC)

Since 2003, the State Land Board has acquired fifty-eight water shares with the NPIC. This water typically originates from the Colorado Big Thompson project, and water in these decrees is allocated for agricultural, municipal and industrial uses in Larimer and Weld Counties. The shares are highly valuable, because the uses of NPIC water can be changed (from agricultural to municipal) without going to water court, provided the water is applied for use within a water district located in Northern Colorado which accepts NPIC water. This fiscal year, the State Land Board was able to purchase another six NPIC water shares for an investment of \$90,000.

Summary of Disposals

Keota

In a two-for-one acreage land-for-land exchange, the State Land Board received 80 acres of native rangeland for a 40 acre parcel where a home site has been for generations. In this situation, the lessee and their family who lived in the home site were interested in trading a portion of grazing lands they owned adjacent to the school section where they had their lease. This particularly interesting school section is in the Stewardship Trust, because there is a prominent rock outcropping with exposed fossils in the rocks and several sets of Teepee rings located near the rock ridge. The 80 acres that was received by the State Land Board adds another quarter mile of the rock outcropping, and may eventually also be added into the Stewardship Trust. The State Land Board retained all mineral rights and access to the minerals in this transaction, which had a total appraised value of \$11,600.

Empire Reservoir

In southeastern Weld County on the border with Morgan County, the Bijou Irrigation District has been storing water in a reservoir on a school section since the early 1900's. In 1944, a perpetual right-of-way was provided to the District. Because the trust lands are entirely submerged for the majority of the year, an exchange was made to trade the section where the reservoir sits for \$156,000 cash and for a 160-acre surface parcel where the mineral rights are already owned by the State Land Board. While the overall value of the transaction was \$208,000 for the land and the cash, the greater value was in re-establishing surface rights for the mineral estate in an area where the Niobrara oil development has been in play, and in achieving value for a highly encumbered piece of land that was not earning any revenue for the trust.

Apishapa River

The largest transaction completed during this fiscal year was for a disposal in Otero and Pueblo Counties for a significant land parcel on the Apishapa River. The grazing lessee on the property owns 38,000 acres of private lands which surrounded the trust lands. The lessee was interested in purchasing the trust lands, which comprised a contiguous block of 13,460 acres, plus 3,475 acres in eight separate and isolated parcels. Most of the scattered parcels had no access. The State Land Board exchanged a total of 17,115.51 acres to Apishapa Ranch, LLC, who is the grazing lessee onsite, for \$2,730,000. The lessee then entered into a conservation easement with The Nature Conservancy using some funding from Great Outdoors Colorado (GOCO), and eventually hopes to include the lands purchased from the State Land Board in the conservation easement to protect the entire ranch.

Prairie School

This transaction had its origins in 1965, when the State Land Board approved a right-of-way to the Prairie School District RE-11 for the construction and operation of a school in a section 36. The right-of way encompassed 21.4 acres, which has been continuously used for the school. While the school enrollment has been steadily increasing, the facility of the school was in need of update and repairs. In 2011, the BEST Grant Program (Building Excellent Schools Today) ranked the application submitted by the Prairie School to replace the facility as the highest ranked project for the 2012-13 grant cycle. Because bonding requirements for the BEST program require the school district to hold the land in fee title instead of a right-of-way, the Board approved sale of the 21 acres to the district for the price of \$3,745. In the months after the sale of the 21 acres to the school district, the agricultural lessee on the remaining portion of the section decided to sub-lease the lands he has previously used for grazing which are adjacent to the school site to the Prairie School's vocational-agriculture program.

Fox Canyon

For the past decade, the State Land Board has focused strategically on disposing of isolated state lands in Southwestern Colorado which have limited access and nominal returns, and instead reinvested the proceeds assembling contiguous lands which can be managed to generate higher returns. The Fox Canyon parcel was an isolated 640-acre section which was generating very limited revenue from a grazing lease. The lessee acquired the section and the trust received \$150,150 through a competitive bid process.

Horse Creek

The State Land Board determined that there were some isolated sections of agricultural lands being used for grazing which were producing fairly low amounts of revenue. In some situations, the existing lessees of these sections had indicated they were interested in purchasing the lands. In the first phase of the Lincoln County exchanges, a certificate of purchase was issued to the Horse Creek Grazing Association for two sections and another half section, totaling 1,600 acres in Lincoln and Crowley Counties. During this fiscal year, the certificate of purchase was closed and final patent was issued, completing this non-simultaneous exchange for the value of \$267,040.

Forest View Estates

Years ago, the State Land Board entered into a residential development project north of Colorado Springs in Monument, El Paso County. Forest View Estates is a 120 acre parcel which has been subdivided into 52 lots, ranging from two to four acres in size. The lots range in price from \$190,000 to \$300,000. As lots are sold to buyers who will then work with private builders for home construction, the State Land Board receives the net proceeds. Thirty-two of the lots have already been sold. In this fiscal year, two lots were sold in Forest View, one at \$111,900 for 3.28 acres, and the other at \$103,508 for 2.59 acres.