

STATE LAND BOARD
SPECIAL MEETING
SEPTEMBER 27, 2011
BEND CITY COUNCIL CHAMBERS
710 NW WALL STREET
BEND, OREGON

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TRANSCRIPT OF PROCEEDINGS

SECRETARY BROWN: Welcome everyone. For the record, I'm Kate Brown and to my right is our State Treasurer Ted Wheeler and we are here for the September 27, 2011 State Land Board meeting. I think everyone is aware that the Governor is unable to attend. Is Mr. Whitman available by phone?

DIRECTOR SOLLIDAY: He is going to call in at some point.

SECRETARY BROWN: We want to say thank you to the Bend City Council for allowing us to use their fabulous chambers with the wonderful technology. And, I also want to welcome the good senator from Bend, Senator Chris Telfer. Thank you very much. So, our agenda – first in line, Louise.

DIRECTOR SOLLIDAY: So, two items on the consent agenda this morning – this afternoon actually – we don't normally meet in the afternoon – is a request for the approval of the minutes of both the June 14th regular meeting and the July 22nd special meeting that we had in Coos Bay. And, then the second is a request for approval to initiate rulemaking to amend the rules governing the management and leasing of rangeland forage. Part of the formula that we use for setting grazing fees on our lease lands is no longer being compiled in Oregon and so we need to change that piece of our formula in our grazing fee formula to use something based on the national weighted calf price. So, we want permission to initiate rulemaking to address that issue. And, we expect that that will be a pretty quick rulemaking and we'll come back to the December board meeting with a recommendation for final adoption. Staff recommends approval of the consent agenda.

SECRETARY BROWN: Alright. Any questions?

TREASURER WHEELER: Madam Chair, I move for approval of the consent agenda.

SECRETARY BROWN: Treasurer Wheeler moves for approval of the consent agenda. Any further discussion? Any objection? Hearing and seeing none, so ordered. Louise, on to the next item.

DIRECTOR SOLLIDAY: One action item today and that is a request for approval of retroactive – retroactive approval to issue two geothermal resource leases and approval to issue one new geothermal resource lease to subsidiaries of a Nevada company called ORMAT. These are all in Lake County and I'll apologize to the board. The staff in their eagerness to get renewable energy out on our parcels missed that in our very old geothermal rules, which are from the 1970s – there's still a provision in those rules that require the board to approve leases and so we ended up signing leases before we got board approval. And, that is for two leases on subsurface rights that the board holds where the BLM owns the surface rights. And, then the new lease, which we would sign, is for the submerged and submersible lands in Crump Lake. So, we are recommending that the board retroactively approve the two leases where we own the subsurface rights and approve, going forward, the lease on Crump Lake.

SECRETARY BROWN: So, I just want to make sure I understand – you're asking for forgiveness and permission at the same time?

DIRECTOR SOLLIDAY: That's correct.

SECRETARY BROWN: Okay. And, will there be a process for updating the rules?

DIRECTOR SOLLIDAY: Yes, the board already has approved initiating rulemaking to update those geothermal rules because we recognized several months ago that they were way out of date. Because of other rulemakings that have higher priority, we haven't gotten around to them, but they definitely need to be updated. The other thing I want to mention about these – they've all been out for public review and there were no adverse comments on any of these from anybody in the public.

SECRETARY BROWN: Any comments or questions?

TREASURER WHEELER: Just one quick question – Louise, were there in fact any comments on any of these leases?

DIRECTOR SOLLIDAY: I believe there were a couple of comments.

LANNY QUACKENBUSH: There were, but nothing adverse.

TREASURER WHEELER: Madame Chair, could I ask a follow-up question?

SECRETARY BROWN: Sure.

TREASURER WHEELER: What is the usual process for notifying the public about leases such as these?

DIRECTOR SOLLIDAY: So, we have a public review process for all of our leases, which they go up on our Web site, there's a 30-day public review process. We also maintain a list of anybody whose requested to be notified when those are available for public comment.

TREASURER WHEELER: Madam Chair, I move for approval of the two prior leases and the new lease to ORMAT.

SECRETARY BROWN: Treasurer Wheeler moves approval of action agenda item number 2. Any further discussion? Any objection to the motion? Hearing and seeing none – so ordered.

DIRECTOR SOLLIDAY: Thank you. And, then the last item and the major reason that we're meeting here in Bend is staff has been working on a Central Oregon Area Management Plan, what we call the COAMP, and this is one of the tasks that's laid out in the Asset Management Plan that was adopted by the board five years ago, and that is to develop management plans for many of our parcels around the state. And, we've been working on those, sort of moving our way around the state and we have a variety of parcels that we own in Central Oregon. This particular plan covers 34 parcels. It does not include parcels that we already have plans in place for, such as the Stevens Road Tract and the Redmond parcel that we own just south of Redmond. And, I'm going to ask John Russell to come up to give you a brief overview and you've got a copy of the powerpoint presentation in front of you. And, when he's done, we'll ask the board if they have any questions and then we have some people signed up for public comment.

SECRETARY BROWN: Thanks. John, take it away.

JOHN RUSSELL: Thank you Secretary Brown, Treasurer Wheeler.

SECRETARY BROWN: And, just to clarify for the record – neither Treasurer Wheeler nor I were on the Land Board at the time this particular asset management plan was adopted five years ago.

DIRECTOR SOLLIDAY: That is correct.

JOHN RUSSELL: Thank you. As Louise said, I'm John Russell. I'm the asset manager for DSL and I don't expect this will go more than six or eight minutes unless you have any questions. We have been working on the COAMP since for a little over a year now, working very closely with the eastern Oregon staff in Bend and the asset management staff in Salem. Came over the mountains a lot of times to meet and to work on that. We visited each site, rather some of us asset management staff visited, but the Eastern Oregon staff visited all of them. They know the land much better than we do. As Louise noted, there's four sites that are not included in this: Ward Road, Forked Horn Subdivision, South Redmond Tract and Stevens Road. And, the reason they're not in here is because they have other plans in place. Two are subdivided for residential development – that's Ward Road and Forked Horn. And, the other two have master plans adopted by the board. Stevens Road for mixed use development in southeast Bend – it's also known as Section 11 – and South Redmond Tract for large lot industrial property immediately south of the Deschutes County Fairgrounds in Redmond. Not going to go through all the items in the table of contents, but it does give a nice summary of what's in plan. Basically, there's a brief history of the area, a physical overview of the sites and then there's discussion of historic DSL management issues. There's a conclusion in the plan with a detailed description of each site, three to four pages long, with aerial photos and there's also a very full discussion of the public involvement process, the recommended highest and best use for the property and an implementation strategy for the COAMP. This is a map. Centered in the map is pretty much Redmond right in the middle, Prineville to the east, Madras to the north and Bend to the south. That was kind of a natural boundary of our properties that we drew

(unintelligible). Basically, I think Louise summarized this – there’s 34 sites, 19 in Crook County, 11 in Deschutes County and 4 in Jefferson County. 19 are listed for sale or trade, 5 sites are for holding for rural residential, 4 sites for continuing rangeland uses, 5 sites for conversion to energy, agricultural or communication uses and one site for destination resort sale and/or lease. These are all owned by the Common School Fund – assets of the Common School Fund, I should say. And, this is what’s called for in the Asset Management Plan, as was noted. This is a – and, I definitely am not going to go into detail on this one – but this is a table taken from the plan that shows a summary of the 34 sites. (Unintelligible) and, then there’s much more detail in the plan, as well. We held a process, starting last October, about a year ago, where we met with the Central Oregon Economic Revitalization Team, with other state agencies. We met, we gave a conceptual presentation on what we expected the plan to be, trying to get their very early agency input on (unintelligible) outstanding issues that may or may not develop. We then held public meetings in Prineville and Redmond in November. In January, we had sent information notices to all the local governments and Madras, Redmond and Prineville city councils invited us to address them. And, the Deschutes County Commission also invited us. So, we made presentations to those governing bodies. We held a formal public hearing in Redmond on May 10th and for all of these meetings we’ve had a growing notification list, if you will. Whenever anybody came, they got on the list or whenever we had any kind of contact, we got emailed and mailed notices, as well. So, we – at the end we had, I think well over two hundred people on our list that we got the word out on. So, we feel – and, there’s comments in your board report from the public hearing – that were made at the public hearing or submitted to us after the public hearing are all included in your land board report in summary form. And, we of course have the detailed comments if you wish to see them. And, with that, that’s my presentation unless you have any questions. Oh, no it’s not – excuse me. What we’re asking of you today. . .

TREASURER WHEELER: Oh, that.

JOHN RUSSELL: This is the opportunity for public input into the COAMP. We will present it to you at your regular October 11th meeting for adoption. Again, this is a

public hearing. Any comments received today will be subsequently summarized and given to you for the October 12th meeting, as well. Now, if you have any questions.

SECRETARY BROWN: Treasurer Wheeler?

TREASURER WHEELER: Not at this time. I might have a follow-up question at the end, if that's alright. Well, I'll put it out there and you can think about it. This is a separate process from what I've asked the Department of State Lands to pursue around commercial real estate and developing a strategy for real estate development. Is that in any way worked into this plan? And, if not, when do you plan on coming back with your proposal around how we make investments in commercial real estate?

DIRECTOR SOLLIDAY: Treasurer Wheeler, we are working on a five-year review of the broad, umbrella Asset Management Plan and as part of that, we are looking at – we are developing criteria for assessing potential commercial investments using the Land Revolving Fund monies. So, we expect to be coming back to the Land Board in December with recommendations for amendments to the overarching Asset Management Plan that will address that issue. None of these properties that are included in this plan are proposed for commercial development. We do have the Stevens Road Tract master plan calls for some commercial development within that parcel, but that is separate from this particular plan, which is developed – focused mostly on some fairly rural properties.

TREASURER WHEELER: Thank you.

JOHN RUSSELL: And, then I would suggest we open it up to public comment.

SECRETARY BROWN: Louise, do you have the list?

DIRECTOR SOLLIDAY: Yes, we do.

SECRETARY BROWN: We'll go ahead and get started. We have six or seven people signed up to testify. We have plenty of time to hear from everyone. So, unless people want to go on half an hour testimonies, we'll start cutting you off at that point, but I think we're fine. So, George Endicott. Good afternoon and welcome.

MAYOR ENDICOTT: Well, good afternoon Secretary Brown, Treasurer Wheeler. My name is George Endicott. I'm mayor of Redmond. And, as you've heard, we have had quite a few meetings and dialogue with the staff. And, what I wanted to comment on was how helpful they have been. In working with this, we've seen this plan and have no specific comments on this one, but what I'd like to do – I do have some written testimony that I'll read and then pass on to Louise at the end. We've been working now for some years with the Department of State Lands staff, as you know. In fact, we testified when our plan got approved a couple years ago for the nine hundred and some odd acres on the south end of Redmond for the large lot industrial tracts. Thank you for the opportunity to comment on the Central Oregon Area Management Plan. As you know, for the past several years we have enjoyed a close working relationship with the DSL staff, and have met regularly to discuss plans for the DSL owned properties either within or adjacent to the City of Redmond, such as the South Redmond Tract and the newly acquired Forked Horn Butte subdivision. This collaboration has been very productive and we look forward to collaboration with DSL in the future. I understand the South Redmond Tract and Forked Horn Butte Subdivisions are not impacted by the Central Oregon Area Management Plan as they have their own management plans, but I did want to share my appreciation for DSL's efforts to develop the COAMP and engage public dialogue on that plan. Central Oregon operates on the basis of regional support. As DSL moves forward with the management of its lands in Central Oregon, we would request that the department continue to engage impacted local municipalities as early and as often as possible so that we can work together as a team towards the successful implementation of all DSL's Central Oregon management plan properties included in the COAMP, as well as the South Redmond Tract and Forked Horn Butte Subdivision management plans. So, thank you very much for your attention. Any questions?

SECRETARY BROWN: Thank you Mayor Endicott. I just want to say thanks for your service and it sounds like from the tone of your letter, you felt comfortable that your constituents had plenty of opportunity to be heard, that their issues were addressed during those hearings.

MAYOR ENDICOTT: We did. And, I have heard no adverse comments at all on the property. As far as I know, everyone is satisfied and happy with your plan.

SECRETARY BROWN: Carl Hopp, Jr.

CARL HOPP: Good afternoon, Secretary Brown, Treasurer Wheeler. My name is Carl W. Hopp, Jr. and I am the attorney for Tumalo Irrigation District. They store water in Tumalo reservoir. The state of Oregon, through OWRD owned most of the land around the reservoir as a result of the Tumalo project's failure back in the early 1900s. OWRD in the 1980s did not desire to retain the liability of owning the land and wished to transfer it to Tumalo Irrigation District. The District was very happy to take the land as Tumalo reservoir, one of our water storage facilities, is located in that area. So, on September 8, 1988 OWRD quitclaimed to TID over nine hundred acres of land subject to restrictions on use such as, the land was to remain, in addition to being used for water storage, the land was to be available for winter feeding of wildlife and there remained a right of reverter to the State of Oregon if the property ceased to be in public ownership. In other words, the irrigation district ceased to own it. Subsequently, TID did a lot line adjustment with a neighbor on one of the sides of the property and at that time the Deschutes County planning department determined that OWRD had done an illegal subdivision when they transferred to TID the property. Because they failed to transfer every bit of property they owned, they ended up cutting off twenty acres here, forty over there, things like that. And, this was all done inadvertently. So, went back to OWRD and said let's go ahead and clean it up and transfer those other parcels. And, after much discussion, this was done and it was the result of several title searches to make sure that all of the state land was covered. On May 12 of 2008, OWRD conveyed the balance of the land to TID subject to those same conditions. This included tax lot 8400, which is item thirty in your packet. OWRD was unaware at that time, as was Tumalo, that in 1947 the state legislature in Oregon Laws chapter 236 transferred one half of tax lot 8400 to the State Land Board. A portion of the land transferred to DSL is part of Tumalo reservoir. So, it is very important to the irrigation district that we have control of it and not be sold out to third parties. Chapter 236 also provided a right of first refusal going to – it was Deschutes Municipal Improvement District, which the name

was changed and so that is now Tumalo Irrigation District – and is subject to TID’s right to store water in the reservoir. So, there are restrictions on that parcel of land that were created by the legislature. Discussions between TID and DSL have been underway for some time. The representatives of DSL have worked well with TID trying to arrange for a land exchange we suggested so that DSL would have a piece of land that they could then market – getting funds in for the school fund and Tumalo would be assured of having the land protected around their reservoir. Two things happened. First, the recession so, the state lacked money to have the AG’s office review the documents so DSL was not comfortable, and my understanding is, was not comfortable in going forward without the AG’s review of all documents. And, that was going to cost several thousand dollars. TID by the same, did not have the income from its water users because many parcels had gone into foreclosure and we’ve been out trying to collect our user fees. So, there was no money to pay the AG’s office to review the documents. Then, the second thing was DSL began working on the Central Oregon Area Management Plan, which is what you’re here today to take testimony on. As a result of COAMP, we have been told that no land exchange can proceed until the COAMP is adopted. I do note in the COAMP, it suggests the highest and best use is to trade this property and talks about the district. My letter to Doug Parker of DSL dated November 29, 2010, we did make a land exchange proposal and we’ve started trying to get something on the table for discussion purposes. The purpose of me being here today is simply to make sure that the portion of tax lot 8400, which joins Tumalo reservoir to the west is recognized in the COAMP as land to be exchanged with TID. If you have any questions, I’d be happy to answer them. Hopefully, that gave you a little history. It goes way back and . . .

SECRETARY BROWN: This is beginning to sound like a great hypothetical for a law school class.

CARL HOPP: Oh, you know, I think I should apply to help write the Bar exam question on real property.

SECRETARY BROWN: Treasurer Wheeler, any questions?

TREASURER WHEELER: I guess I have a question for staff, if I could, on this subject. I appreciate your bringing this issue to our attention and what you've laid out makes good logical sense. Is this accounted for?

DIRECTOR SOLLIDAY: Yes. This parcel is identified as a trade parcel – or exchange parcel – in the COAMP and we would be looking to talk to the irrigation district once the plan is adopted about moving forward with that.

TREASURER WHEELER: And, that's what you're looking for, is that correct?

CARL HOPP: Correct.

TREASURER WHEELER: Great.

CARL HOPP: Just wanted to make sure that this was brought to everybody's attention and they understood the importance to the irrigation district of this property.

SECRETARY BROWN: Thanks for bringing this very interesting and challenging issue in front of us. Do you need testimony in writing?

DIRECTOR SOLLIDAY: No, we're going to try and transcribe it.

SECRETARY BROWN: Thank you very much. We really appreciate your time and energy.

TREASURER WHEELER: Thank you, sir.

CARL HOPP: I'll tell you, that land also brought up an interesting action before Judge Dickey in Marion County a few years back on the Carey (phonetic) Act. I don't know if you ever even heard of the Carey (phonetic) Act. Most people haven't, but it's a 1890s federal act to put water and allow entry and the claiming of the arid west. And, so that was great fun dealing with the Tumalo area. That would make another (unintelligible).

SECRETARY BROWN: Alright, thank you very much. Beth Lampert?

BETH LAMPERT: Well, actually I didn't have a comment, I had a question and I got it addressed before the meeting because it was for comments, not questions. So, thank you.

SECRETARY BROWN: Thank you very much for being here. Glad you got your question answered. And, thanks for your hard work, too. Kameron DeLashmutt? Good afternoon.

KAMERON DELASHMUTT: Thank you. Kameron DeLashmutt, I'm the manager of Thornburgh Resort Company. Thornburgh Resort, my family has owned about eighteen hundred acres that sits all around DSL land that is currently leased to my mother since 1953 and my grandparents ran cattle on that until it became so difficult to put cattle on with all of the motorized vehicles going across and trespassers. Our land provides the access to the DSL parcels. In 2003, I began working on a destination resort and through that process, which I've come to find out is extremely extensive, we have worked really close with the Department of Fish and Wildlife, ODOT, Water Resources, SHIPA, BLM, county transportation, county planning. We have had extensive interactions with all sorts of state and local agencies as well as the federal government. This project has become what is quite possibly the most contested project in the history of the State of Oregon. We have been to LUBA five times; the court of appeals four times; the Oregon Supreme Court once; the internal board of land appeals for the federal government once; an appeal to Oregon Department of Water Resources once. And, that's not counting other appeals that have happened in related things. The county's law to change – rezone – property, which the DSL land that my mother leases is a part of the rezoning. That was appealed. A lot of this is all with the purpose of stopping our development. Through this process there's been a mountain of comments and accusations raised how the project will harm fish, it will harm wildlife, it will cause negative impacts. From our position, those are almost universally false. I've got some material I'll give to you – a letter that I wrote - and I have thousands of pages of documents that I reference in this letter, which I can supply any or all of that as you request. But, I just want to go through and read some of the comments from some of the state agencies. My comments are going to be in three areas: dealing with water;

fish and wildlife mitigation; and in economic impacts. On water – under state law – this is a quote from a letter that was written from Amy Stuart, ODFW Deschutes District Watershed Manager. And she wrote this to Anne Corcoran-Briggs the hearings officers for Deschutes County. Under state law the Thornburgh resort has fully met its mitigation requirements for offsetting its groundwater use in the Deschutes Groundwater Study Area. Another one from Philip Ward, the director of Oregon Department of Water Resources in the proposed final order for water rights he says application G – the number of it – applicant Kameron DeLashmutt for Thornburgh Utility Group is approved with the above modifications to the proposed final order and as conditioned will ensure the preservation of the public welfare, safety and health. In fish and wildlife mitigation, another letter from Amy Stuart, ODFW – since November of 2004, ODFW has invested hundreds of hours providing recommendations to the resort and Deschutes County regarding assessing projected resort impacts on fish and wildlife resources and measures the resort could implement to mitigate those projected impacts. We've worked with fish and wildlife – with BLM. We had a very extensive study that was compiled by Newton and Associates out of Redmond and by Tetra Tech out of their Seattle office with their fish habitat, fish biologists and some of the comments from them – implementation of the ODFW approved mitigation plan will likely provide a net increase of habitat quantity and will not result in a net loss of quality during the irrigation season, the time of year that has been identified as the primary time when habitat conditions limit fish production. That was from Tetra Tech – their impact on hydrology and fish habitat. Newton and Associates engineers stated that, as a result of the OWRD requirements, the potential for any negative impact to fish and wildlife resources due to surface water reductions from Thornburgh's proposed use of groundwater will be completely mitigated. Amy Stuart, again, ODFW has determined that providing the proposed mitigation above should mitigate for potential impacts on springs and seeps and provide a net benefit to the resource. The standard is that we would fully mitigate for a loss. Amy Stuart is saying that not only are we fully mitigating, but we're actually improving the resource. We're actually improving fish and wildlife habitat. The BLM states, the BLM, the Prineville District BLM appreciates and supports the collaborative approach between Thornburgh Resort, ODFW and BLM. BLM has reviewed and

approved the mitigation actions proposed for public lands. That's Molly Brown, Field Manager, Deschutes Resource Area, BLM. Steve George, the ODFW Deschutes District Wildlife Biologist states, the wildlife habitat mitigation plan, if followed as outlined, should address the mitigation requirements for Deschutes County. And, Anne Corcoran-Briggs, the hearings officer for Deschutes County states, the hearings officer concluded that Thornburgh's plan is adequate to ensure that the impact of the development on fish and wildlife habitat results in no net loss. For the reason set forth above, the hearings officer concludes that, as conditioned, DCC 18.113.070 is satisfied. Molly Brown goes on to state in a letter that because of the ability to leverage our contributions to fish and wildlife mitigation, the direct dollars that we're making to those as well as the direct dollars that we've agreed to contribute to trail building, that their ability to leverage those dollars will actually provide a net benefit to the resources that they're dealing with. So, through this process, we have tried to be stewards of the land so that we're not just fixing what was, but we were creating. We believe that in all there is dealing with water, fish and wildlife, we're actually providing a net benefit. After we had gotten our approval with the Department of Water Resources, we had people in the area that were still concerned that we were going to – through pumping of groundwater – that we were going to draw down their wells. So, we went a step above and we voluntarily offered to enter into agreements with anybody within a two mile radius that if, in fact, their well was drawn down because of any pumping that we were doing, we would lower their well – pay to lower their pumps so that they weren't impacted. And, that wasn't a requirement that we had to do. We voluntarily did that. In areas of economic benefits, as part of the approval process with Deschutes County, we hired a real estate economist who has done economic studies and tracked the results of projects all over the west – about a hundred and twenty of those. And, through his stuff, he dealt with three areas I'll just give you, employment, tax revenue and public services. In employment, he says that the development, construction and operations of Thornburgh will result in a significant increase in employment. That equates to supporting an average of 1422 full time equivalent jobs each year over a twelve year period. He only looked at a twelve year outlook from our inception to our full build out. In addition, the amount of new employee compensation that would be created as a

result of the resort, including indirect and induced earnings, would total approximately \$779 million or an average of about \$65 million per year. For tax revenue, his estimate is – it is estimated that the proposed resort would generally be about \$19 million each year in property tax revenues from individually owned properties and nearly \$1.3 million from developer owned assets, plus another \$500,000 each year from a timeshare component. So, that's about \$21 million in revenues. Today that property generates about \$10,000 in property taxes. So, we go from ten thousand to twenty-one million.

SECRETARY BROWN: That's annually?

KAMERON DELASHMUTT: Annually. Employment – there's no employment on the property, you know. There's a bunch of cows that are out there doing their own work, but none collecting salaries. Public services – the resort appears to represent an overwhelmingly positive net fiscal impact in terms of its contribution to funding for public services compared to its demand for these services. For instance, the resort is projected to contribute nearly \$7.4 million in school property taxes each year by 2016 and this was done in 2004 so these dates are a little bit off but it's dealing with the next twelve years from the date that it's conceived. Due to the typical demographic of the buyers in similar resort communities and therefore the small number of school age children that reside in these communities, Thornburgh's residents are projected to demand only approximately \$340,000 worth of public education for a net balance of about \$7 million each year created for public schools. The resort is also expected to contribute far more in other public services – police, fire and library – than it will cost to service the resort and its new residents. And, those things are studies that are shown out in the Redmond Fire Department – we have gone through and tracked the ambulance calls, the fire calls versus revenues and it is an overwhelming surplus. In sum, there has been claims that the lease of the state land will help contribute to some degradation of economics or fish or wildlife or habitat and I think that the studies that have been done and the findings that numerous state and local agencies have come to, show that to be completely false. And, I'll leave some letters with you and you can have access to all of the studies as you wish. Thank you very much for your time.

SECRETARY BROWN: Appreciate all the information. Treasurer Wheeler, any questions?

TREASURER WHEELER: It's more of a request. I would like to get a copy of the economic analysis, if I could. That's very interesting to me and I appreciate your sharing that with us.

KAMERON DELASHMUTT: And, as you go through this, if there's anything else – hydrology studies or any of that – I can provide any and all of that. Thank you very much.

SECRETARY BROWN: Thank you very much. We really appreciate you being here. And, if you can provide the study, as well, we can get that to all members of the Land Board. Thank you. Okay, I'm having a hard time reading this name, but it's u-n-z-i-e and the first, uh, Gould – it's an "n" the first letter. Nunzie, welcome.

NUNZIE GOULD: I'd like to gift you a gift. On the first of October, is a marathon between Sisters and Bend and it follows the back road. And, comments that people have had who are entering this year say I can't wait to see the scenery.

SECRETARY BROWN: Can I get you to state your name for the record, please.

NUNZIE GOULD: Nunzie Gould. I live in Deschutes County and I'm a taxpayer.

SECRETARY BROWN: And, I think this is probably a gift we can take without violation of the ethics law, should we choose to take it.

NUNZIE GOULD: I hope it will get archived in their walls somewhere so you think of Central Oregon in terms of our recreational aspirations and opportunities and the economic revenue generated through recreation. Your parcel, Tumalo reservoir, is an integral part of that back country scenery and I would recommend that you look into groups that are interested in land preservation and not groups that are interested in paying their piping bills because the recreational amenities are also connected with the vistas and that's one reason people even move to Central Oregon is because of our natural beauty. So, before it just gets traded, please consider an entity such as

Deschutes Basin Land Trust who is working in conjunction with Skyline Forest, which is land adjacent to the west. I'd like to gift you another photograph and I don't have enough pushpins to put them all up, but for the benefit I'm only going to have tape to put it up. This is our natural native vegetation. This is a picture taken from Cline Buttes. Our natural native vegetation that provides habitat, that provides recreation, that provides minimal invasion and intrusion on our water resources. This map is the proposed destination resort. It abuts your parcels that you've owned since the early 1920s – 160 acres – and 240 acres of in-lieu lands, which were pressured to BLM to facilitate this development. This is our native vegetation and on Cline Buttes is planned three golf courses. You can see these outlined here. This map is BLM's Cline Butte Recreation Area Plan. 33,000 acres BLM Recreation Plan. This is the first ever urban interface recreation plan in BLM's history, right here at Cline Buttes. We've got equestrian, we've got motorized, we've got non-motorized, we've got areas of critical environmental concern, we've got areas off limits to motorized, we've got elk herds, we've got winter range – right here in our natural desert. Now, sometime before you started this plan, the Thornburgh Resort got to your staff and they leased your 160 acres of land for a pretty paltry amount. It was based on AUM rates. The lease was for open space. Open space that's designed to have a major roadway running through your land connecting the south ridge line of the butte to the north side of the butte. You see, you can't get there any old where. This is a long faced two mile long ridge line from east to west. And, this parcel here is two miles long north to south. This is a massive development planned. What's really interesting is it says overall density of the resort .71 dwelling units per acre –.71 dwelling units per acre. This is a rural subdivision. This is sprawl at its best. As part of BLM's Cline Butte Rec Area Plan, in 2007, they identified a plant called Peck's Milkfetch. Peck's Milkfetch its worldwide distribution is in two counties in Oregon and one county in California. Cline Buttes houses inventory of Peck's Milkfetch and your parcel evaluation makes no attempt to look at what's on the site. It just goes to your orbits (phonetic) site saying okay tell us what's near and that's an indication of what's on our land. So, I would venture that your asset management plan does not identify the current recreational use on your lands. Your asset management plan hasn't surveyed for this rare endangered Oregon plant.

When the resort company leased the 160 acres from you, it provided very clever language in it to be able to add more land to your lease. So, when you added the 240 or 244 acres of in-lieu lands you acquired from BLM, you didn't change your lease rate. So, those lands right here in this parcel, provide another connecting roadway across Cline Buttes. And, if you look at the facilities planned for this development, you will see water storage tanks at the apex of the development so they can make benefit by gravity feed, I suppose. So, there is plan for water withdrawal as part of this development. This is not a green development. This is not condensing your development in cities. This is less than one acre per dwelling unit. On the fourteenth of this month there was a foreclosure sale of the Thornburgh Resort lands. So, the lease that you have apparently with Thornburgh Resort that Thornburgh Resort Company has assigned to Agness DeLashmutt – you have a lease with somebody, but you have the land now owned by Loyal Land Company. So, I guess the question I have is, given fundamental economic paradigm shift that we've seen, that's not addressed here – new economic data on foreclosures and lending practices and second homes and demographics of people. The window of opportunity for selling real estate, I guess the question I have is, why is this viable as a resort. And perhaps that dialogue comes through your ICR dialogue that you referenced earlier, but I do think if you're planning on leasing this land, it's worth not doing it closed doors, make a pitch out to the community, make a pitch out to BLM. BLM, who in 2005 identified in their management plan an interest to acquire the Thornburgh lands and think of this parcel – think of these parcels – your 404 acres – as an outrageous recreational amenity for our tri-county community. It brings people who are members of mountain bike riders from the valley, ATV riders from the valley, Oregon equestrian trail riders from the valley. It also serves our local community. And, getting back to your document – your document says that there's plenty of recreation in our community. It's managed by BLM and it's managed by the Forest Service. The state has the ability to play into that. There's state parks. There's a recreational arm to the state that can continue the health, welfare and livability of our community. Now the reason these rocks are here – I'll give them to you but maybe you don't want them – they have kind of pumice, our local little moon dust soil on them – these I purchased from an active rock quarry that's on your land. It was a rock quarry that was needed to

be shut down in order for BLM to transfer its lands to the state. So, as part of your inventorying of your Cline Buttes lands, please consider the recreational resources. Please consider the significance of economic possibilities on the land – rock, rock extraction, mineral extraction. And, please consider where we are economically and what policy the state sends by promoting a sprawling, rural subdivision in our high country desert. I can leave you all these. I did not write anything. I appreciate you coming to Bend given that people who have jobs here are glad to hold onto them. I think one o'clock is difficult thing for non-government workers to participate in. And, mostly, I think we can have economic vitality and I think the jobs we bring to the community need to be living wage jobs and they need to be stuck way out in remote places that lead to transportation infrastructure demands, but they need to be developed in the core of what we are promoting – why you're here right in downtown Bend – In the core of these cities. And, I'll leave you with one last concept. Tumalo at Highway 20 has a very dangerous intersection. The latest ODOT projections are over \$15 million to put a grade separated interchange in place. That's where one road goes over another. The last time I went to a county commission meeting, everybody kind of chuckled in the room that there had been no funding collected for this road. That road is a critical road for this development. Again, considering the expenditures that are needed to bring development and the revenue you may get through a lease, please consider what equity is. And, please consider the recreational community and interested party – whether it's through BLM or Friend of Cline Buttes or the Cline Butte Recreation Association – that would like to chat with you about acquiring lands so that it's not done through a closed door process.

SECRETARY BROWN: Questions? Comments? We really appreciate you being here and just so you know that the public hearing that was held earlier was held in the evening so folks could attend. We certainly realize that 1 p.m. is in the middle of the work day and that's how we need to arrange our schedule in terms of our staffing, as well. So, we were unable to do this particular hearing in the evening, but there has been a public hearing, which I believe you testified at in the evening, so that folks who work during the day could attend.

NUNZIE GOULD: Well, it wasn't on the draft document because the draft document only came out in September. So, that was informational gathering and frankly, I feel that your staff has bought onto stuff a long time ago and the economic paradigm has shifted. And, your document says there will be a need to review this in ten years and I'm just saying, who are we kidding? We're creating this document that economically is out of date and our state can do better and I trust you will be good stewards of our resources.

TREASURER WHEELER: If I may, madam chair, just for the record – the reason I did ask for the economic analysis is for that very reason. I want to check the assumptions that go into the analysis to see whether they are timely or not. So, I appreciate your raising the question.

NUNZIE GOULD: And, much of the data that you're relying on is data that spun out of our local economic development companies that would love to have people keep coming here and one upping and reporting that everything is hunky dory. Our newspaper just filed for bankruptcy. I mean, things are not super rosy. We need to occupy our built environment. We need to occupy our existing vacant buildings before we go off and speculate on new un-green products. Thank you.

SECRETARY BROWN: Thank you. Appreciate the information. Appreciate the maps and the rocks, as well. It's very creative.

NUNZIE GOULD: Do you want the rocks?

SECRETARY BROWN: No thank you, but they would look great in my front yard. Next up we have Commissioner Al Unger.

COMMISSIONER UNGER: I'll just talk (unintelligible). Nunzie can take care of herself. Secretary Brown, Treasurer Wheeler, thank you for coming here. My other colleagues are here today. Commissioner DeBone and Commissioner Baney are here. We're local government. We support you in the effort to help with the needs of our citizens, so thank you for what you do and hopefully, we're helping on our side of things. I used to be the past mayor of Redmond and fifteen years ago we started a South

Redmond collaboration group. It was one of the first community solutions teams that the first term of Governor Kitzhaber started and it was with MerrieSue Carlson. I don't know if you remember her, but then came Janet Brown and now is Annette Liba, who is now our regional coordinator. It dealt with issues like extension of 19th Street with our regional attracters – the airport and the fairgrounds – how we work with the BLM, the military training grounds east of Redmond and Bend, and now we're working – and Pronghorn – and now we're working with the State Lands as the land that came forward – the 900 acres in the South Redmond Tract – came to address the opportunity there. And, this group was just naturally partnering with the state to continue with that dialogue and we really worked well together. If you saw the first plans that came forward, we basically said no you're underneath the airport runway, we're not going to put housing down there. It needs to be something industrial because that's what we need to protect our airport. So, we have worked for the local interest plus the state interest with the State Lands and we've developed a great relationship and it's worked well. What I did want to just say quickly though is, as we have these dialogues, I have heard there are challenges with state law and how you use the Common School Fund and Common School Fund - what you can pay for. I'm just hoping that we try to work a way to work around some of the challenges because with local government we have requirements of infrastructure improvements if you're a developer. So, roads, sewer, water – as one develops a tract of land those are basically partnershiped with the developer. But, then we hear that there are issues with what you can spend on land and constitutionally or something – Doug or John could tell you better than I could – that there's those challenges. We need to work together to overcome those because if the state wants to be a developer and is, then you need to address local requirements. I'm just bringing that challenge forward. While I'm here I just wanted to talk about destination resorts quickly because really we are the center of resorts in Deschutes County. When the timber industry fell apart, we needed to look on what was viable here in Central Oregon and really in most places construction is the industry that rural areas especially have to continue to have jobs and move forward. The goal 8 resort exceptions really got started when Eagle Crest was being developed because it was having challenges with state law so they developed a new law to do that. But, when you look at all our resorts, it was

really Sunriver that sparked the idea. People would come. They would enjoy Central Oregon. Then they would try to figure out how to stay here and then move their businesses here. And, I think if you looked around at different industries we have here, it's Sunriver that really got them to Central Oregon better than anything else. But, if you look at the resorts we have, including Sunriver, and look at the taxable value, it is greater than the taxable value of all the commercial industrial land in Bend and Redmond put together. So, that is important to the County and to Central Oregon. It also creates the viability of our airport. When you have people who want to come here to recreate, to live, we have had in the past a real challenge with how do we promote our airport because we've been trying for it for decades. And, we would come together as a Central Oregon consortium and get a half a million dollars and we would put it towards Hughes Air West to say bring flights into Central Oregon and they would do it as long as the money lasted and then they were gone. So, we really had to grow up to the point where we had a market for the airlines to come in and support us. And, the airlines makes such a difference for us. We have heard from high tech people in San Jose that the ability to get on a plane in San Francisco and fly non-stop to Redmond, do business and then fly back is a game changer for them to not have to go to Portland and waste two or three hours to then connect to here is real important. So, as we look to our development in Central Oregon, the airport's a real valuable asset that we have here. And then, recreation – you all know. You all play here.

SECRETARY BROWN: We confess. We do.

COMMISSIONER UNGER: So, with that, I would just say it's a beautiful place to live. We enjoy working here and making it stay that beautiful and I enjoy my job and I know my other fellow commissioners do, too. So, thank you for being here.

SECRETARY BROWN: Thank you Commissioner Unger. Thanks for your service. Thanks to your fellow commissioners, as well. We certainly enjoy playing here, as well.

TREASURER WHEELER: Kate's doing the marathon on October 1st.

SECRETARY BROWN: Thanks, Treasurer Wheeler. I'd like to say – you're in shape and I'll do the marathon. That doesn't make sense. Okay. Anybody else wishing to provide public testimony at this point? Speak now or forever hold your peace.

TREASURER WHEELER: It's fun. It's easy. It's free.

SECRETARY BROWN: Louise, any closing comments?

DIRECTOR SOLLIDAY: Not at this time. We'll do a – we will summarize these comments for your October 11th meeting and do a response to comments and add that to the response to comments that you've already got in your packet from the previous hearing and public comment period.

SECRETARY BROWN: Treasurer Wheeler, any comments?

TREASURER WHEELER: No comment. Thank you.

SECRETARY BROWN: Thank you all very much for being here and if we don't hear anything from the phone, I guess we are adjourned.