

# ARIZONA STATE LAND DEPARTMENT



*Lisa A. Atkins,  
Commissioner*

*October 25, 2017*



# Historical Overview

- The Territory of Arizona was established by an act of Congress on February 24, 1863
  - This act reserved sections **16** and **36** in each township for the benefit of the Territory's common schools
- The Enabling Act of 1910 allowed the Territory of Arizona to prepare for statehood
  - This act assigned the additional sections of **2** and **32** of each township to be held in trust for the common schools
  - Granted 2,350,000 acres for other beneficiaries



6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36





# Enabling Act & Constitutional Requirements:

- All lands granted shall be held in trust
- All Trust lands shall be appraised at fair market value
- Trust lands can't be sold for less than fair market value
- Land sales, or leases in excess of ten years, require a public auction
- Auctions must be advertised for 10 weeks
- Trust lands cannot be mortgaged or encumbered in any way



# VISION

A professionally managed trust, proactively engaged in its mission, responsive to the needs of the State, in pursuit of a better Arizona.

# MISSION

To responsibly manage the assets of a multi-generational perpetual Trust in alignment with the interests of the beneficiaries and Arizona's future.

# LEGAL REQUIREMENTS



- Arizona/New Mexico enabling legislation more stringent than other Western States
- Natural products and monetary proceeds of the Trust lands shall be subject to the same trust as the lands producing them
- Trust lands shall be appraised at fair market value
- Trust lands can't be sold for less than fair market value
- Land sales or leases in excess of ten years require a public auction
- Trust land auctions must be advertised for 10 weeks

# FEDERAL VS STATE TRUST LANDS



- Federal lands managed in accordance with federal laws and generally for public use and benefit
- Land management and planning decisions involving federal land is always a public process
- Management decisions and planning of federal lands are subject to change with new administrations
- State Trust land's use and management should never shift as a result of administrative changes because our mandate is always 'highest and best use' doctrine and demonstrate a cash value added

# PERSPECTIVE

State Trust land (Blue)

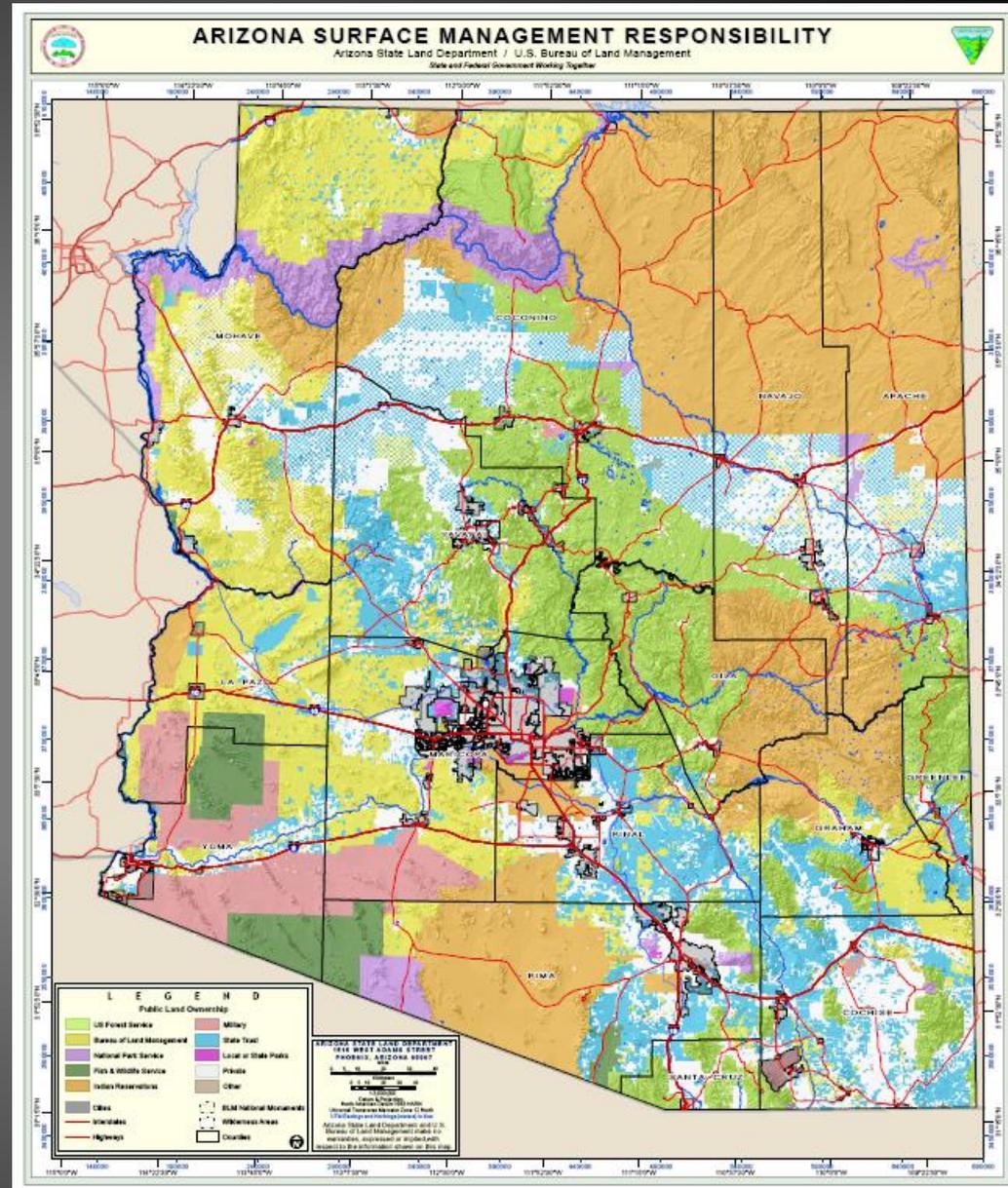
9.2 million acres = 13% of the state

Larger than Rhode Island, Delaware, Connecticut and Hawaii combined.

Would be 42nd largest state

1.6 times larger than Maricopa County

Larger than many countries – is roughly the size of Turkey



# BENEFICIARIES



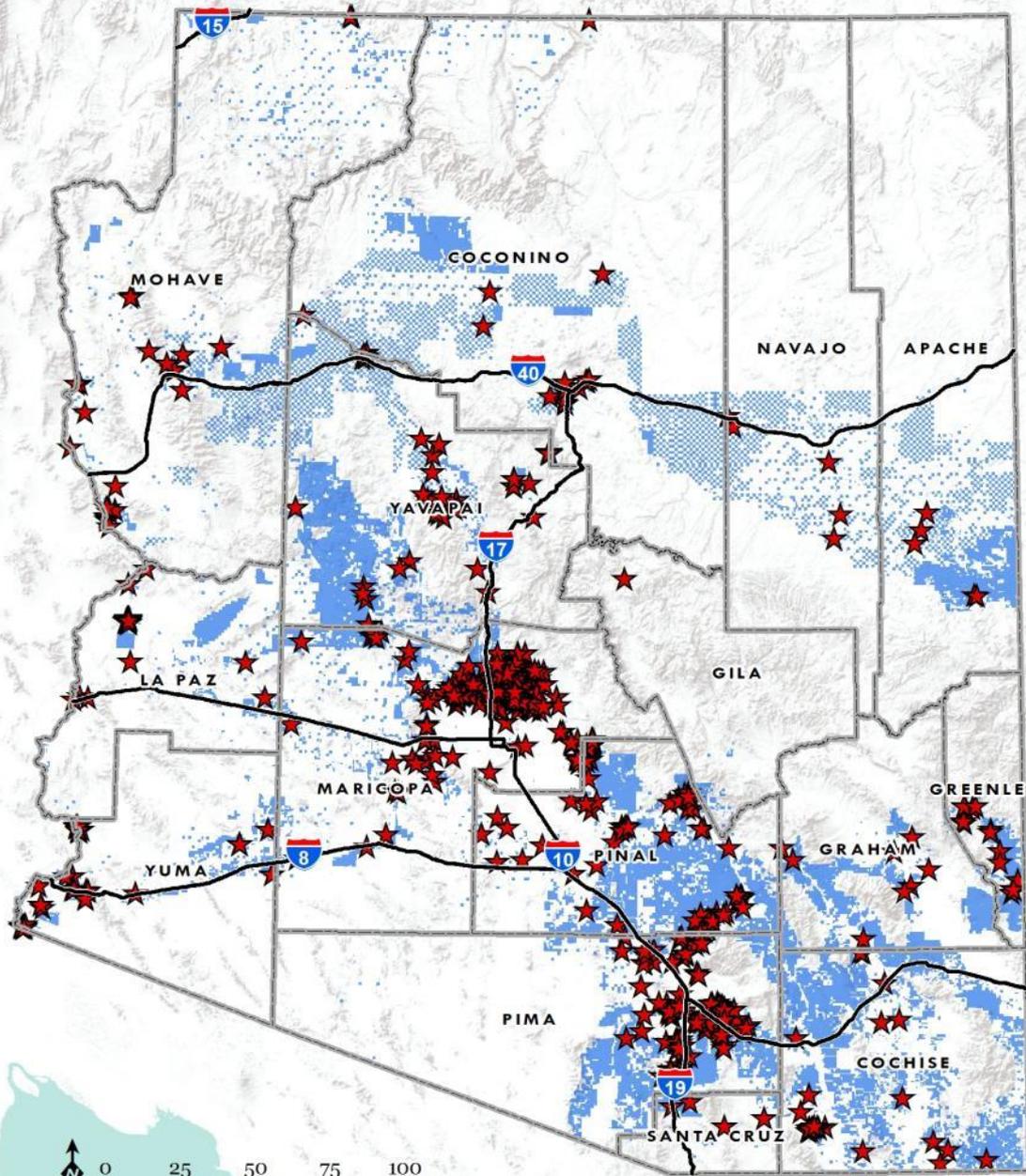
Beneficiary	Original Acreage	Remaining Acreage
Commons Schools (K-12)	9,400,000	8,061,037
Normal Schools	200,000	174,786
University Land Code	200,000	137,778
Agricultural & Mechanical Colleges	150,000	124,944
School of Mines	150,000	123,256
School for the Deaf & Blind	150,000	82,558
Military Institutions	100,000	80,168
State Charitable, Penal & Reformatory	200,000	77,225
Penitentiaries	100,000	76,111
State Hospital	100,000	71,248
Legislative, Executive & Judicial Buildings	100,000	64,229
University of Arizona (Act of 2/18/1881) (aka, the best University, <b>GO CATS!</b> )	 60,000	49,134
Miners' Hospital (1929)	50,000	47,686
Miners' Hospital	50,000	47,545



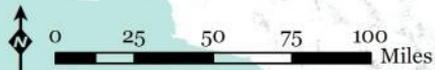
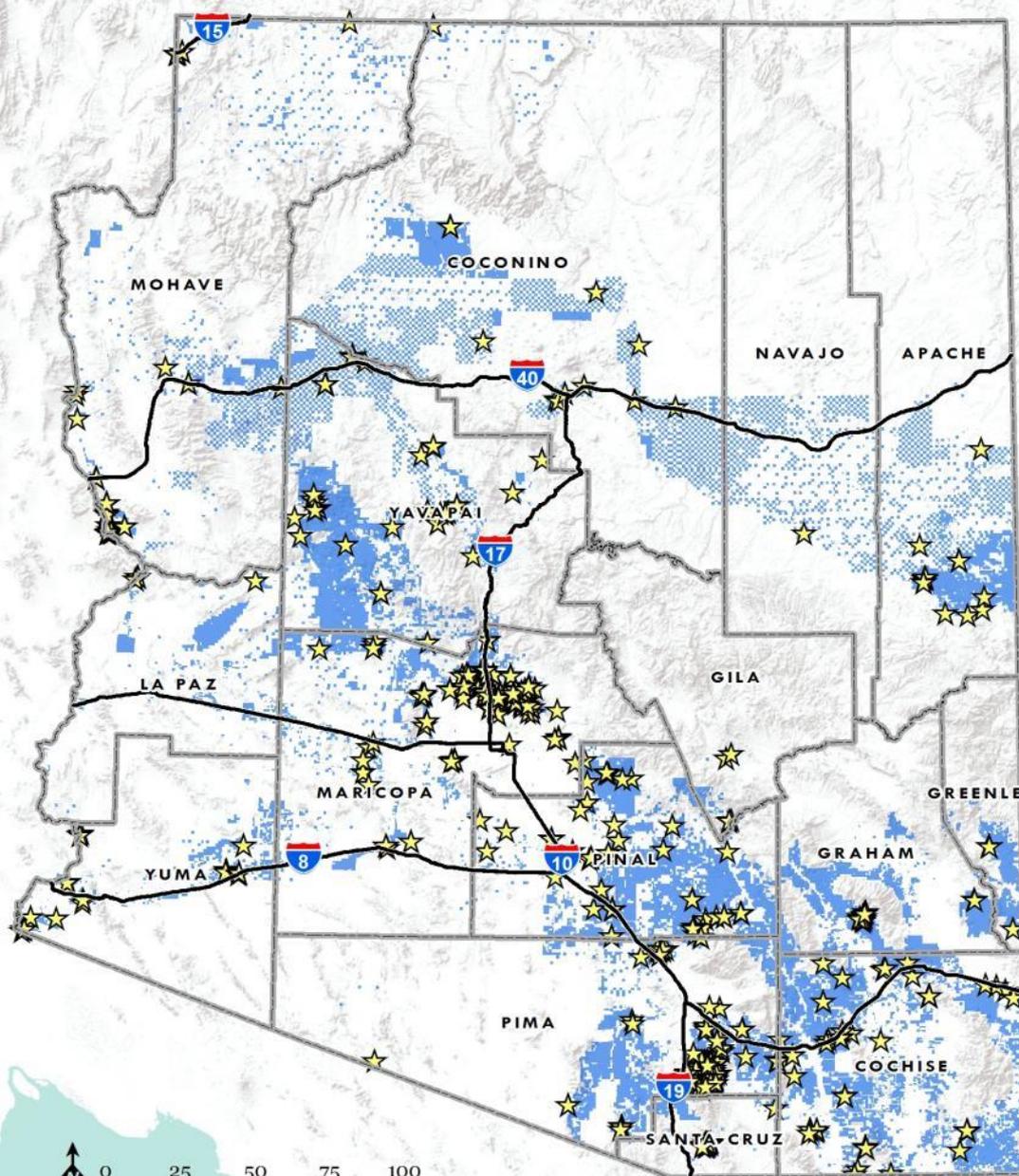
# LAND USES ON TRUST LAND

LEASES	NO. OF LEASES	% OF LEASES	TOTAL ACREAGE	% OF ACREAGE
Grazing	1,196	10.80%	8,323,685.95	80.25%
Use Permits	639	5.77%	451,003.36	4.35%
Rights of Way	7,650	69.08%	259,639.45	2.50%
Agriculture	341	3.08%	153,517.38	1.48%
Commercial	295	2.66%	69,984.10	0.67%
Minerals, Oil & Gas	953	8.61%	1,114,231.00	10.74%
<b>TOTAL</b>	<b>11,074</b>		<b>10,372,061</b>	

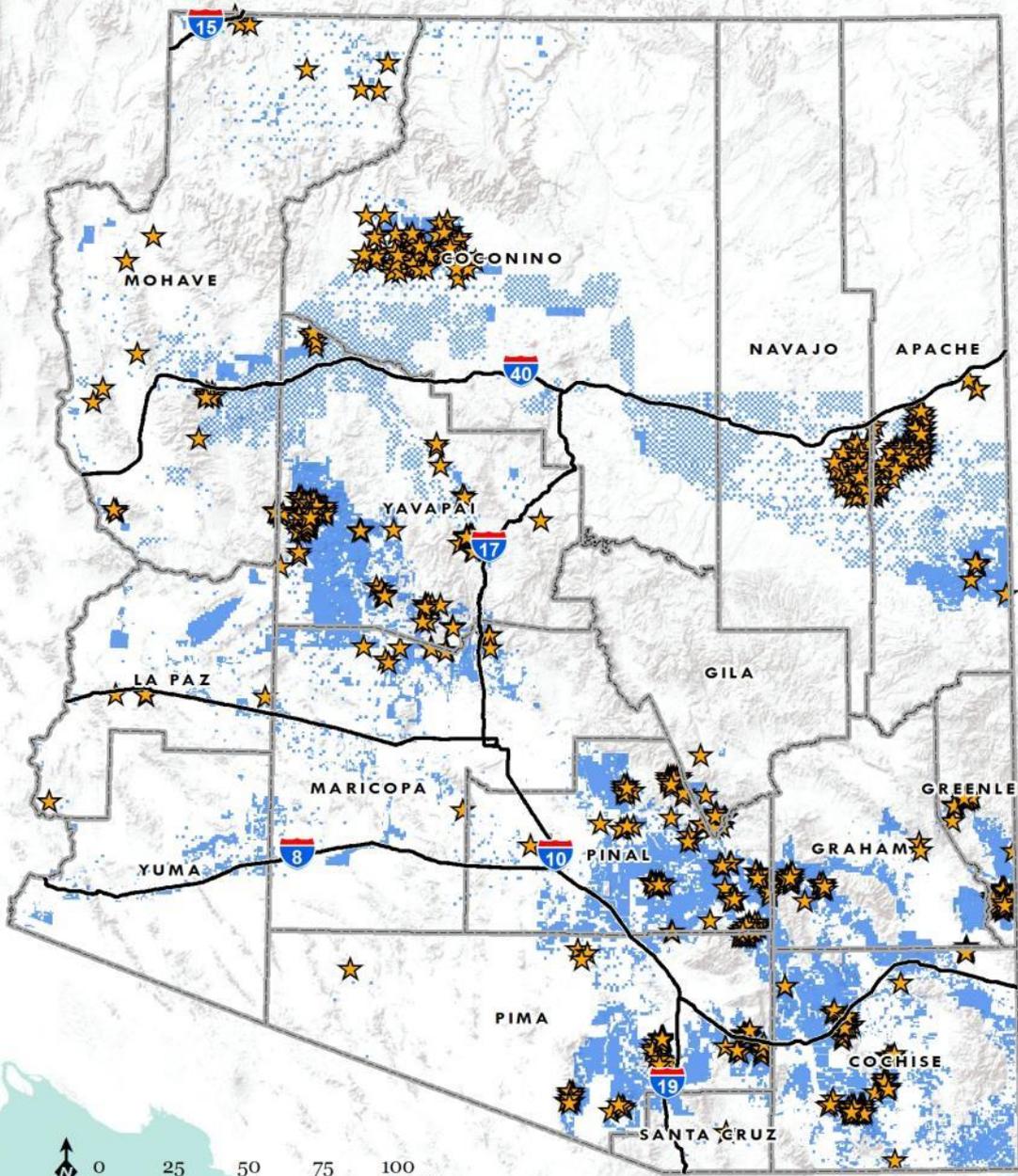
# STATE TRUST LAND & COMMERCIAL SALES



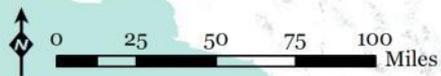
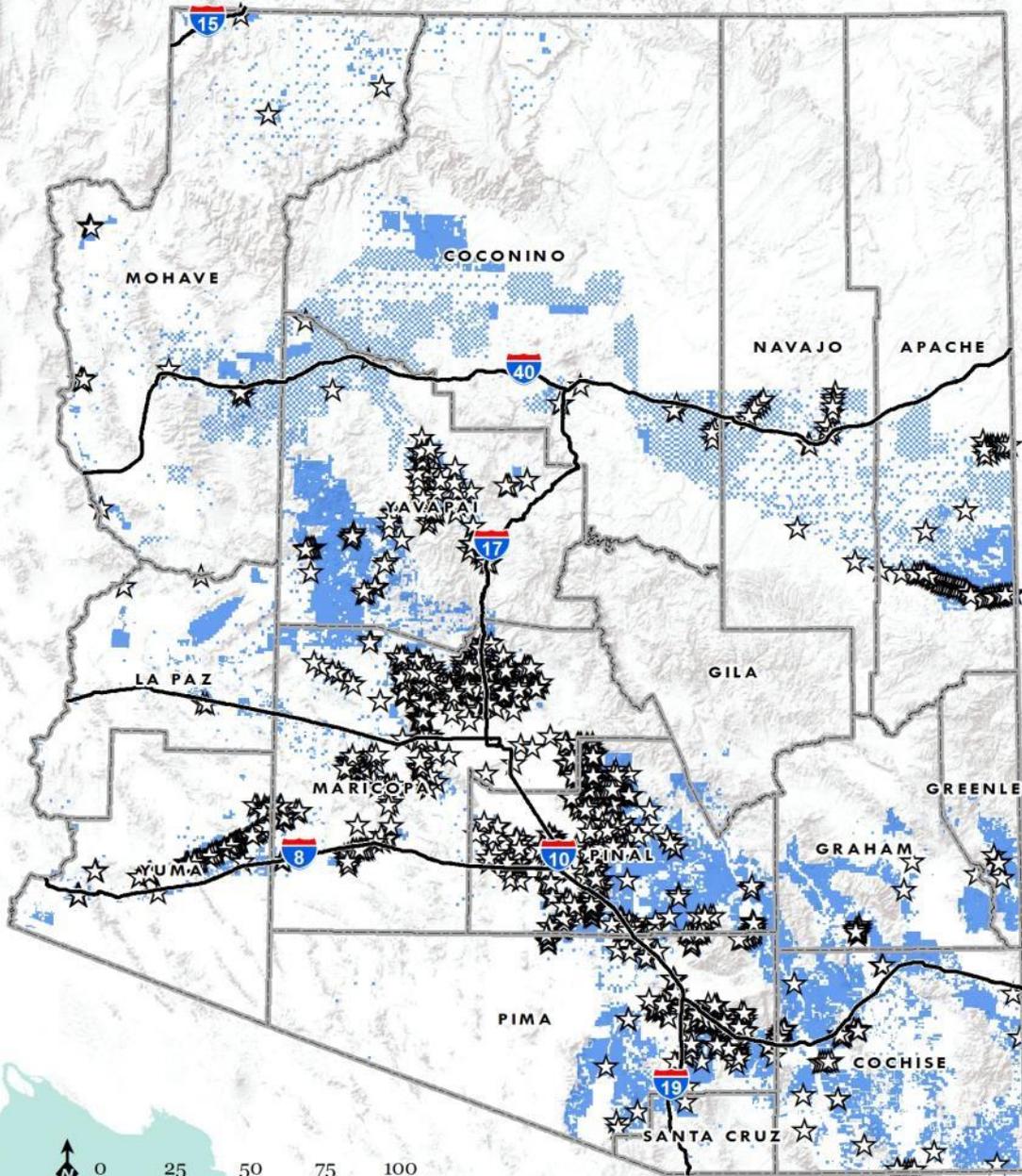
# STATE TRUST LAND & COMMERCIAL LEASES



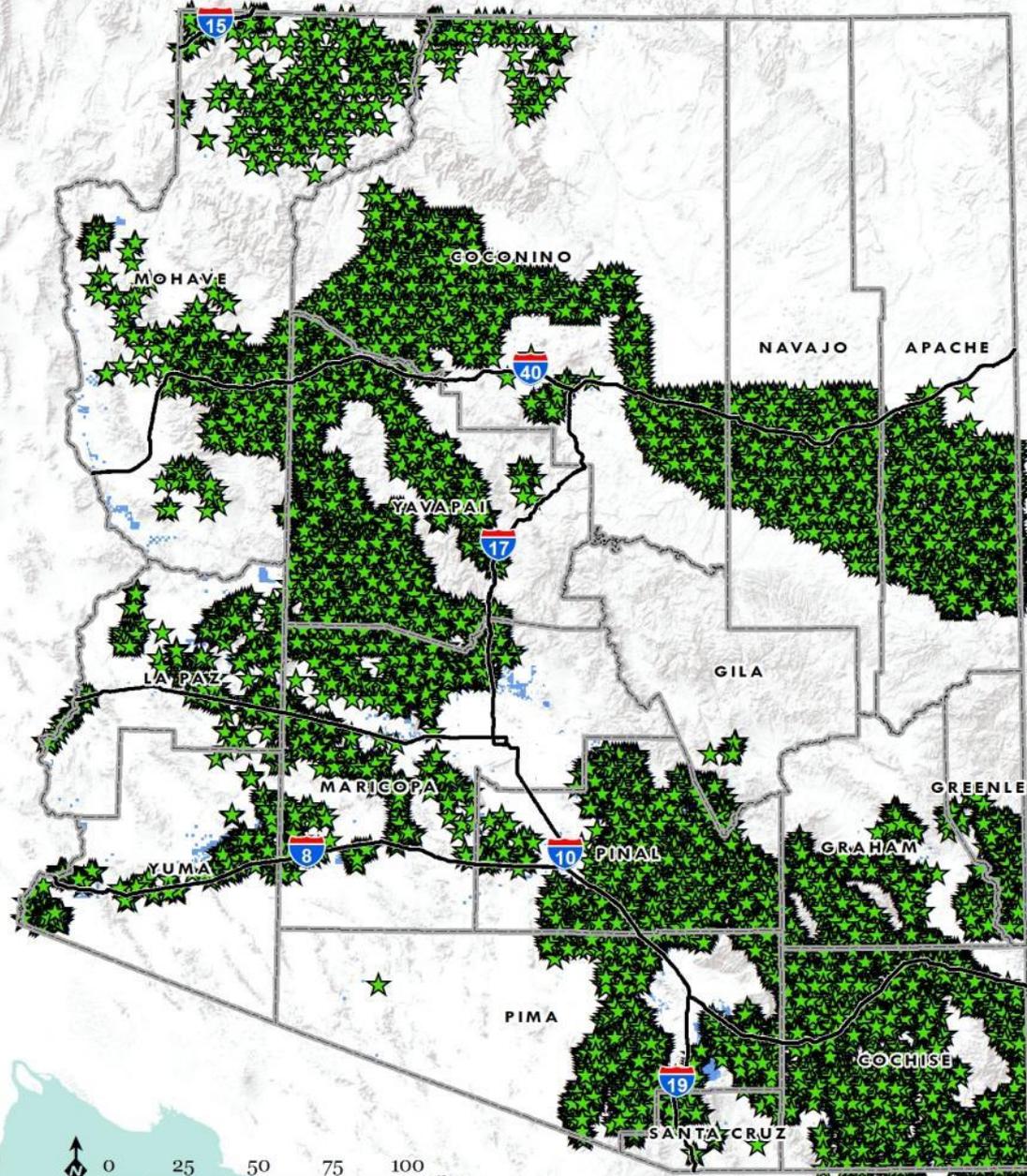
# STATE TRUST LAND & MINERAL LEASES



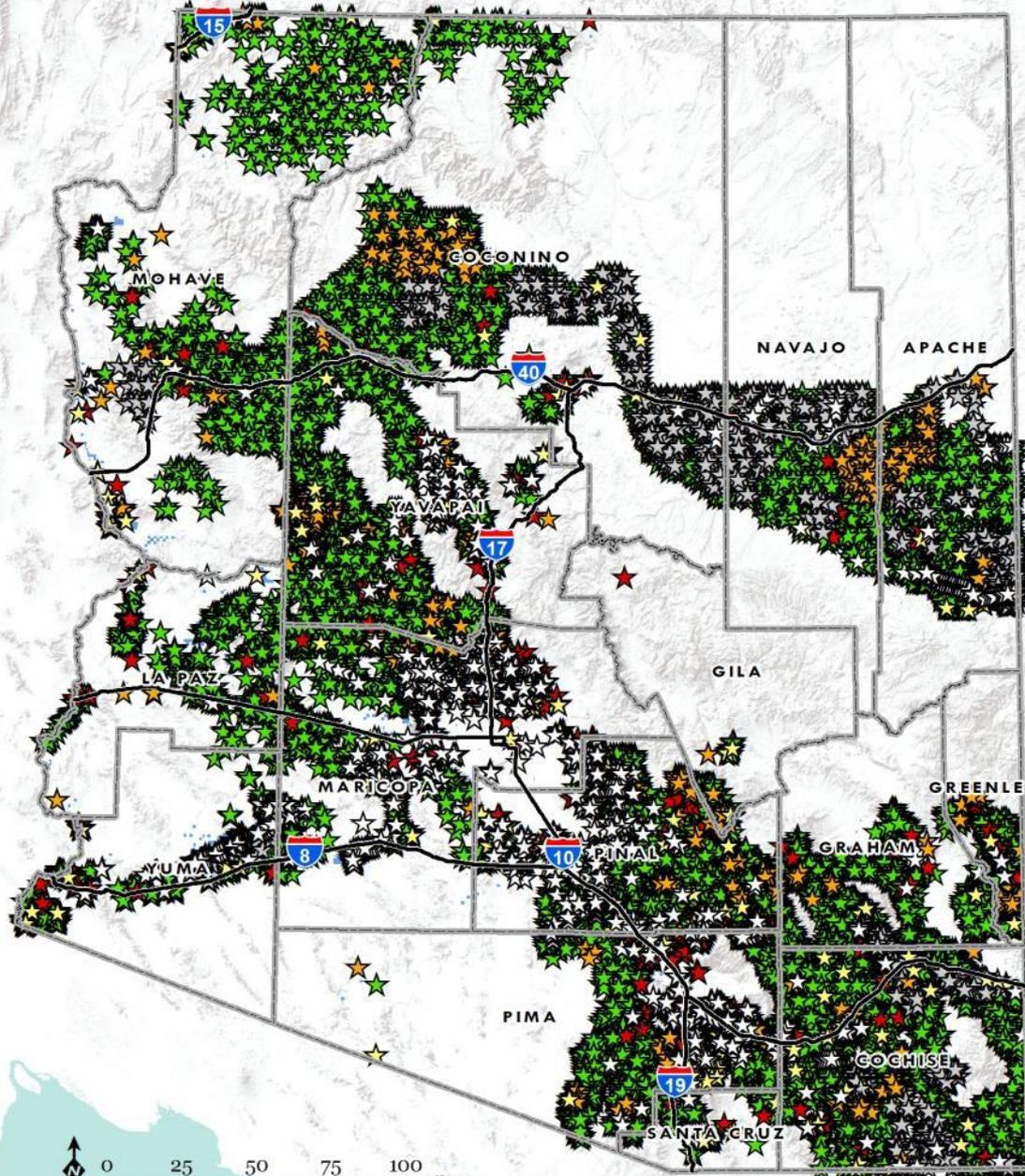
# STATE TRUST LAND & RIGHTS OF WAY



# STATE TRUST LAND & AGRICULTURE AND GRAZING LEASES



# STATE TRUST LAND: LEASING AND SALES ACTIVITY





# Challenges: Managing 9.2 million acres with Limited Resources

# CONSTRAINTS HAVE POINTED ASLD DOWN A REACTIONARY ROAD



- An Extremely Broad Mandate: 9.2 million acres – Requires expertise in numerous disciplines and understanding of values and complexities all around the State
- Lack of Strategic Plan and Communications Resulted in Ineffectual and Inconsistent Leadership
- Limited Resources in Relation to Responsibilities, and Numerous Obstacles



# STRATEGIC PLAN

## Arizona State Land Department

**Commissioner:** Lisa A. Atkins

## STRATEGIC PLAN – FY2018

### Vision

A professionally managed trust, proactively engaged in its mission, responsive to the needs of the State, in pursuit of a better Arizona.



### Executive Summary

The overriding strategic goal of the State Land Department is to transition from a reactive organization passively navigating its obligations, to a proactive organization that directs its efforts into key priorities designed to produce optimal outcomes for the Trust beneficiaries and the State.

Strategic priorities are designed to drive important business opportunities by focusing on the following :

- Clarifying and Making Priorities visible
- Creating Additional Capacity to Better Fulfill Mission
- Transitioning to Customer-Friendly Online Operations
- Sustaining Fiscal Responsibility
- Promoting and Implementing Strategic External Relationships

### Mission

To responsibly manage the assets of a multi-generational perpetual Trust in alignment with the interests of the beneficiaries and Arizona's future.

### Agency Description

ASLD manages more than 9 million acres of State Trust land and resources on behalf of 13 beneficiaries. As the fiduciary, ASLD generates revenue for the Beneficiaries through the selling of, leasing of, and minerals royalty generation on State Trust land. ASLD also exercises sound stewardship principles to ensure the Trust is a viable and productive asset for beneficiaries today and for generations to come.

### Principles / Values

- **Beneficiary Focused:** The State Land Trust is a multi-generational, perpetual trust. ASLD's work serves the Trust Beneficiaries, the largest of which is K-12 education.
- **State Focused:** Aligning current and future interests of the beneficiaries with State interests to produce optimal outcomes.
- **Efficient Resource Utilization:** Maximize the utility of taxpayer support by efficiently using resources in pursuit of the Trust mission.
- **Collaboration:** Cultivate outside relationships and partnerships (customers, interest groups, other land owners and municipalities) to help facilitate and coordinate planning in recognition of limited resources and broad mandate.
- **Customer Commitment:** Create and encourage a professional work environment to continue to develop exceptional employees who provide excellent customer service.
- **Proactive Management:** Effective management and planning strategies to enhance the value of the holdings of the Trust.

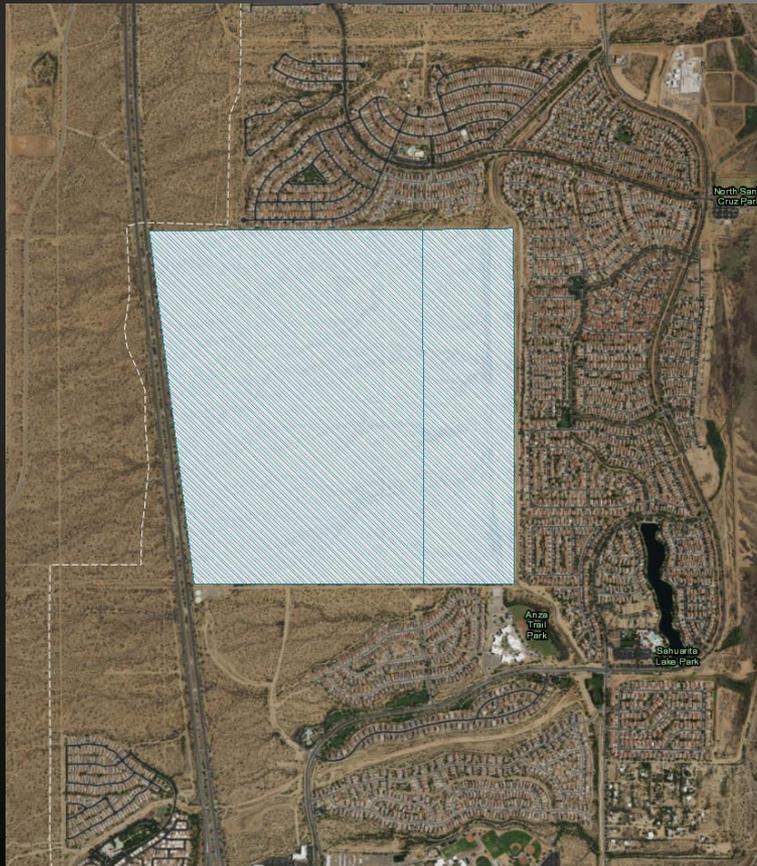
Resource Assumptions (dollars in thousands)	FY 2018 Appropriations	FY 2019 Budget Request	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate
Full-Time Equivalent	129.7	129.7	129.7	129.7	129.7
General Fund	\$12,365.9	\$13,342.6	\$13,342.6	\$13,342.6	\$13,342.6
Other Appropriated Funds	\$7,250.0	\$7,500.0	\$7,500.0	\$7,500.0	\$7,500.0
Non-Appropriated Funds	\$871.0	\$871.0	\$871.0	\$871.0	\$871.0
Federal Funds	\$0.0	\$0.0	\$50.0	\$100.0	\$150.0
<b>Total Agency Funds</b>	<b>\$20,486.9</b>	<b>\$21,360.7</b>	<b>\$21,410.7</b>	<b>\$21,460.7</b>	<b>\$21,510.7</b>

# FAILURES TO PARTNER AND COORDINATE



**Loss of Access:** Adjacent properties that are zoned and platted prior to State Trust land often preclude access to State Trust land.

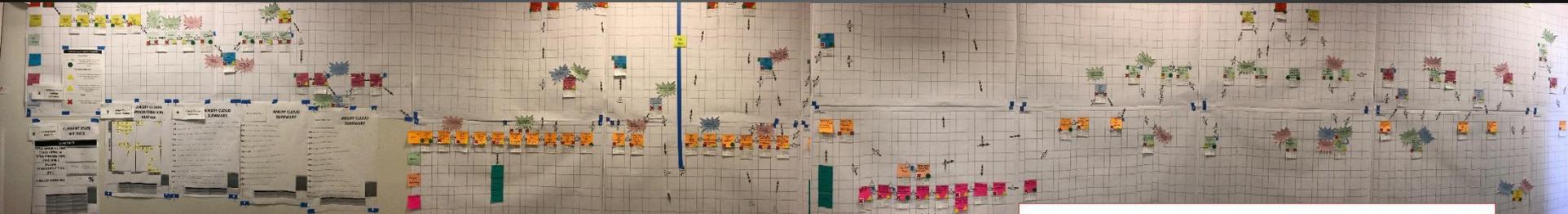
**Entitlement Risk:** Once adjacent lands develop and neighbors exist on our borders, State Land is often viewed as open space.



**Poor Planning:** When other parcels are planned and zoned in advance of State Trust land there are missed opportunities to coordinate and create cohesive, connected development. Lack of coordination on infrastructure means that efforts must be duplicated to upsize or add additional infrastructure to accommodate development of the Trust land.



# AMS: Transforming Our Frustrating Processes



ASLD's customer's have described our processes as:

- Slow
- Unclear
- Confusing
- Slow

In July 2016 we implemented a new Rights-of-way process. Lead time to completion have dropped from an average of 571 days to 271.

We are also redesigning our sales process in order to be more responsive, and to make decisions sooner.

## CURRENT STATE METRICS

CS METRICS	
TOTAL WORKING TIME (TWT) (Office) OR TOTAL PROCESS TIME (TPT) (Mfg)	2.8 DAYS
SYSTEM THROUGHPUT TIME (STT)	193 DAYS
PROCESS RATIO (PR)	1.50%

## FUTURE STATE METRICS

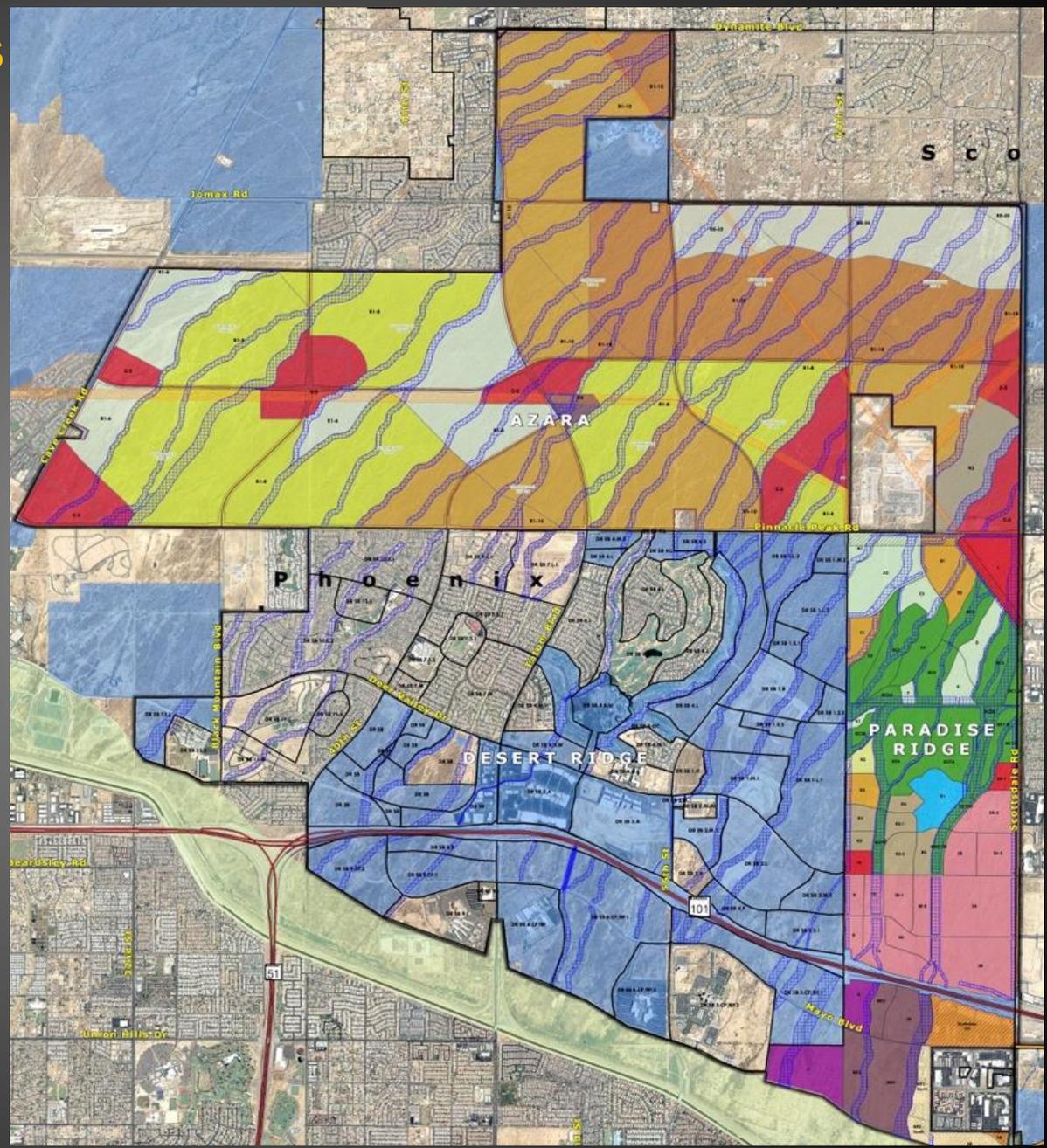
FS METRICS			
	CS	FS	% IMPROVEMENT
TOTAL WORKING TIME (TWT) (Office) OR TOTAL PROCESS TIME (TPT) (Mfg)	2.8 DAYS	1.5 DAYS	46.40%
SYSTEM THOURGHPUT TIME (STT)	193 DAYS	86 DAYS	55.40%
PROCESS RATIO (PR)	1.50%	1.70%	

# Lack of Focus and Understanding of Roles

Section 404 of the CWA generally requires that a permit be obtained to discharge dredge or fill material into “navigable waters” in connection with routine construction activities. This program imposes significant burdens on the real estate community, and can complicate site development and thereby substantially affect value.

To illustrate the impact of 404 on the Trust, we can look to our prime current inventory in North Phoenix.

Desert Ridge, Paradise Ridge and Azara are three master-planned areas owned by the Trust, each of which obtained a 404 Permit that are demonstrably inconsistent with best practices.

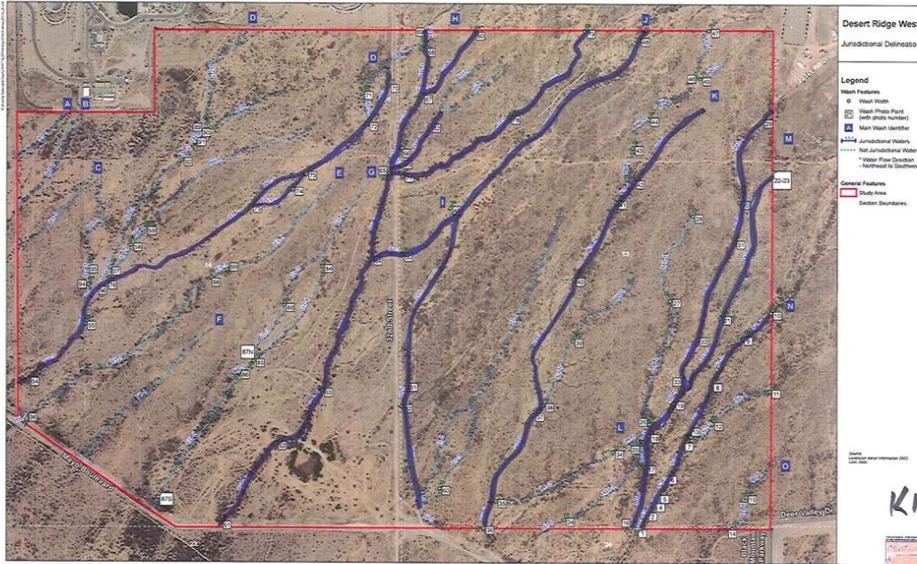


Project/Site	Project Site Acreage	Mitigation Corridor
Desert Ridge	4,457	525
Paradise Ridge	2,131	165
Azara	6,203	995
<b>TOTAL</b>	<b>12,791</b>	<b>1,685</b>

Impact:	Avg. Price Per Acre	Lost Revenue
	\$250,000	\$421,250,000
	\$350,000	\$589,750,000
	\$450,000	\$758,250,000

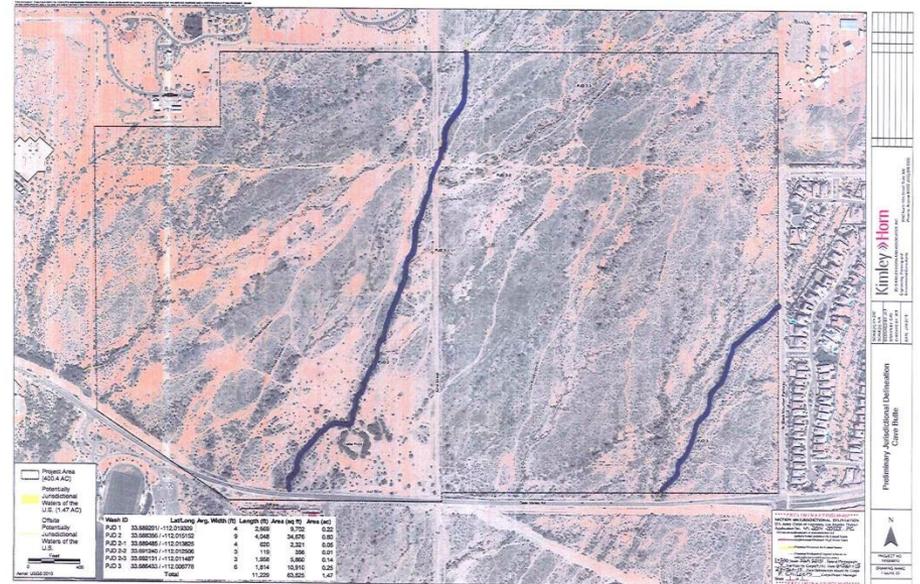
# URS - 2006 For ASLD



This jurisdictional delineation performed on behalf of ASLD in 2006 has enormous impact on the applicable land, but is consistent with the delineations throughout the Desert Ridge, Paradise Ridge and Azara master plans that surround this land.

In addition to the direct impact of the delineations, past practice has been that the Army Corps has required 6-1 on-site mitigation in the form of wildlife corridors surrounding the delineations, and a planting requirement for the ASLD areas discussed.

# KIMLEY HORN - 2015 FOR TAYLOR MORRISON



Thankfully ASLD did not process its JD request shown above, and later a different firm on behalf of our applicant, performed a jurisdictional delineation report resulting in the designation of the indicated JD.

Notably this was performed under an Administration with a more restrictive rule pending on 404, so there is no reason to believe that this was filed in a more favorable climate.

# PLANNING FOR 9.2 MILLION ACRES IS NO WALK IN THE PARK



- Its 9.2 million acres, 91 towns and cities, 15 counties, numerous other governmental entities, with statutes that mandate sweeping planning obligations.
- In many jurisdictions State Land becomes the de-facto open space.
- The perception that State Lands are public lands also leads to complications.
- For value to exist, State Land must have appropriate land use authorizations. What is appropriate fluctuates over time, so ASLD must retain flexibility to meet the market.
- This isn't merely difficult, this is not achievable – unless ASLD is properly positioned to work with these other governmental entities to arrive at those appropriate land use decisions.



# What is a Zoning Bank?

- Mission Element: ASLD will better serve its customers by ensuring assets are market ready.
- Obstacle: Customers have complained loudly that a problem with ASLD is that our land is unready for purchase because it is not entitled with proper zoning. This results in a time impact to our customers, and greatly increases their carry cost and risk exposure.
- Solution #1: ASLD must take steps to ensure inventory of market ready assets is created through partnership with customers, municipalities and through internal zoning and infrastructure coordination efforts.

## HISTORICAL TIMELINE

18 months ASLD application



18 months rezone and plat



6-9 months to first homes.



Total is 42-45 months

## TIMELINE W/ZONING BANK

9 months application



4-6 months plat,



6-9 months to first homes



Total is 19 to 24 months

# ZONING BANK CONCEPT; AN OPPORTUNITY

- **Zoning Bank:** A flexible land use entitlement that establishes a bank of uses that can be used in various configurations within a project area, with master planning occurring at the later point when the developer makes decisions on placement of specific uses.

## 2 levels of Approval

- 1. Specific Plan / Conceptual Master Plans / Development Agreement  
(created by ASLD, sets the Framework) Requires Council Approval
  
- 2. Planning Units / Unit Master Planning / Site Planning  
(Detailed planning by subsequent purchasers, users) Administrative Approval



# ZONING BANK CONCEPT BENEFITS

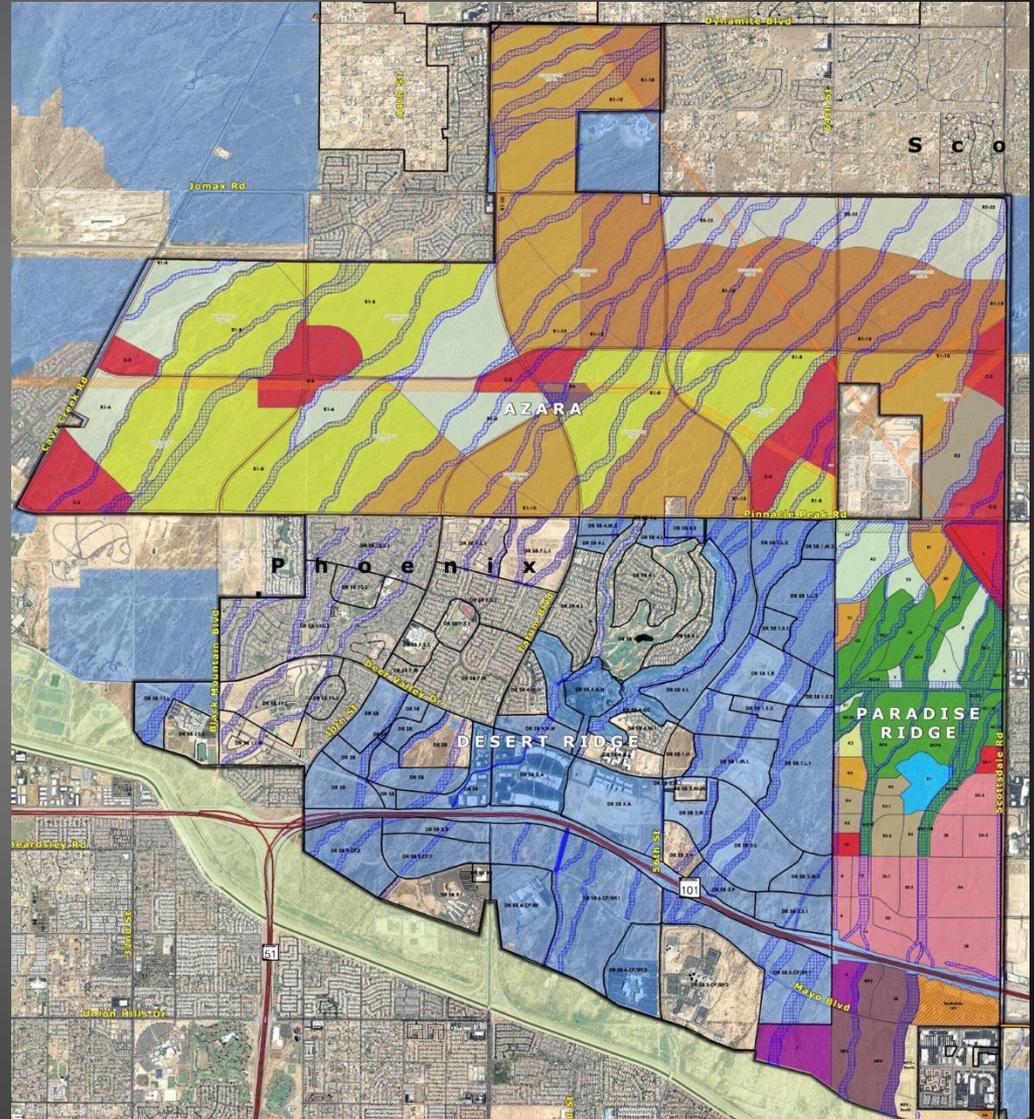


- Best suited for long term development projects, and large scale projects
- Provides both certainty and flexibility that allows ASLD to protect land values for the Trust while leaving site specific planning to developers and end users who are better situated to perform such functions at a later stage.
- Defers detailed planning for infrastructure to Planning Unit stage which is closer to the time of development. Master planning of planning units = right-sized infrastructure based on current and accurate demand calculations for infrastructure.
- The flexibility allows ASLD to respond to current market demands.
- It sets realistic expectations of the development potential of an area for future residents, the development community and decision-makers.
- It minimizes buyer's entitlement risk.

# BIG PICTURE – WHAT IS ASLD LOOKING FOR IN TRANSACTIONS?



1. Is the asset “mature”? We measure maturity by assessing market factors that create value: existing entitlements, availability of infrastructure to support best economic use of the land at viable cost, market demand, etc.
2. Will development of the subject parcel improve the value of surrounding lands through infrastructure or otherwise?
3. What are the possible direct and indirect benefits and detriments to beneficiaries?



# LEASE VS. SALE



- ASLD views leasing as a diversification strategy that applies primarily to its best assets.
- ASLD land in North Phoenix and Scottsdale near the 101 loop is the best of the entire 9.2 million acre inventory.
- It is in the best long-term interest of the State Land Trust to ensure that we think strategically in how we use that inventory. Part of that strategy is an analysis of whether ASLD is better off leasing that prime land, based on an assumption that the land values will outperform the annual returns of the Permanent Fund.
- This would allow us to extract reasonable current value from the land, but also benefit from the appreciation in value of the fee interest. This is a data-driven question which we are devoting considerable energy.
- Leasing in other areas of the State may not have the same benefit to our beneficiaries.

# WHAT'S NEXT?



- Expand Real Estate Focus and Efforts outside of the Phoenix Metro Area – broaden the source of real estate income
- Focus on Partnership Opportunities to Bridge Gap between Obligations and Resources – both rurally and in urban context
- Build Staff to Accomplish the Mission
- Work Toward Continuity of Operations



ON BEHALF OF EVERYONE AT ASLD, AND IN PARTICULAR THE COMMISSIONER AND DEPUTY COMMISSIONER, WE WANT TO THANK YOU FOR YOUR INTEREST!





**QUESTIONS?**