

**CALENDAR ITEM
01**

A	Statewide	10/01/15
		J. Porter
S	Statewide	J. DeLeon

**CONSIDER AUTHORIZING A MEMORANDUM OF INTENT WITH THE
BUREAU OF LAND MANAGEMENT FOR THE PROPOSED PHASE I LAND
EXCHANGE TRANSACTION INVOLVING THE CONVEYANCE OF 61,000± ACRES
OF SCHOOL LANDS TO THE BUREAU OF LAND MANAGEMENT
IN EXCHANGE FOR 5,600± ACRES OF FEDERAL LANDS
PURSUANT TO CALIFORNIA PUBLIC RESOURCES CODE DIVISION 7.7**

PARTIES:

California State Lands Commission, acting as Trustee for the School Land Bank Fund

United States Department of the Interior, Bureau of Land Management

LOCATION:

San Bernardino, Inyo, and Riverside Counties

PROPOSED MEMORANDUM OF INTENT:

The Bureau of Land Management (BLM) and the State Lands Commission (Commission) have, independently, pursued efforts to protect important lands designated as National Conservation Lands and generate revenue for the California State Teachers' Retirement System (CalSTRS). Through diligent collaboration and partnership, the proposed series of land exchanges, including Phase I, between the BLM and Commission will achieve the mutual objectives of protecting and conserving valuable biological and other natural resources and providing access and recreational opportunities for the public through the consolidation of federal lands within the National Conservation Lands units, also known as the National Landscape Conservation System, and other BLM management areas. Importantly, the proposed series of exchanges will provide an immediate and continuing revenue source dedicated to benefitting California's retired teachers, through the State acquisition of lands with operational renewable energy facilities or lands that otherwise have potential to generate revenue for CalSTRS.

Phase I of the exchange will include approximately 61,000± acres of State school lands and approximately 5,600± acres of Federal lands that have the potential

CALENDAR ITEM NO. 01 (CONT'D)

for, or are previously developed with, renewable energy facilities. Future phases contemplate conveying approximately 150,000 acres of school lands to the BLM in exchange for approximately 16,000 acres of federal lands. The majority of lands subject to the proposed exchanges are located in San Bernardino, Inyo and Riverside counties.

The Commission and the BLM recognize the complexities and challenges involved in completing a land exchange, especially one of this magnitude. The process can take many years, and frequently involves issues and conflicts that arise along the way, including potential adjustments to the selected lands once the formal appraisals are conducted. As such, the Commission and the BLM wish to memorialize their continuing commitment to pursue the proposed exchanges and working cooperatively to resolve issues.

Through the proposed Memorandum of Intent the Commission and the BLM expressly recognize the significant benefits associated with the Phase I land exchange and commit to working together to implement the Phase I land exchange, and the future phases, throughout the entire process. Further, in conjunction with the Record of Decision for the Desert Renewable Energy Conservation Plan (DRECP) Land Use Plan Amendment, the BLM commits to expeditiously pursuing the Phase I exchange by first preparing a draft Agreement to Initiate. Likewise, the Commission commits to cooperating to the fullest in all of the processes required for this Phase I exchange.

BACKGROUND:

School lands were granted to California in 1853 by an Act of Congress (Ch. 145, 10 Stat. 244) for the purpose of supporting public education. They consist of the 16th and 36th sections of land in each township (with the exceptions of lands reserved for public use, lands taken by private land claims, and lands known to be mineral in character). In cases of preemption due to these exceptions (i.e., instead of a section 16 or a section 36), the State may select replacement lands from the United States. These replacement lands are commonly referred to as "indemnity school lands." For the purpose of this calendar item, the term "school lands" is used to describe both lands obtained under the Act of 1853 and indemnity school lands.

In 2011, the California Legislature enacted, and the Governor signed AB 982 (Skinner), Chapter 485, Statutes of 2011 (Pub. Resources Code § 8720 et seq.), directing the Commission to exchange isolated school land parcels in the California desert for federal lands suitable for large-scale renewable energy project development. Commission staff has identified 5,600± acres of federal

CALENDAR ITEM NO. 01 (CONT'D)

lands managed by the BLM that fulfill this requirement and is developing a proposal to exchange these lands for school lands on an equal value basis.

PURPOSE:

The Commission manages approximately 462,000 acres of fee-owned school lands for the benefit of the CalSTRS. Most school lands are scattered in isolated patches across the desert, and many are located within national parks, preserves, monuments, and forests. While the size of the individual parcels is insufficient for development of renewable energy projects, they have significant conservation value because of their location. Further, the school lands within federally designated protected lands are challenging for BLM to manage under its land use plans.

Consolidating these fragmented school lands into contiguous holdings to promote and facilitate renewable energy projects benefits California and the nation. The Commission would be better able to carry out its fiduciary responsibilities, and the BLM would be better able to manage lands identified for conservation within existing and proposed National Conservation Land units and other designations, including the proposed DRECP Land Use Plan Amendment. Although Chapter 485 directs the Commission to propose acre-for-acre exchanges, BLM is not authorized to enter into such exchanges under the Federal Land Policy and Management Act of 1976. Accordingly, the proposed conveyance is based on an equal value principle, ensuring that both the state and the federal government receive equal value for their lands.

LAND EXCHANGE PROCESS:

In May 2012, the Commission and the BLM executed a memorandum of agreement outlining the exchange process under Chapter 485. Since then, Commission and BLM staffs have been working diligently and collaboratively to develop a proposed multi-phase exchange, including the proposed Phase I exchange that would convey approximately 61,000± acres of school lands to BLM in exchange for approximately 5,600± acres of federal land.

As part of this process, the BLM conducted a market valuation consultation through its Office of Valuation Services to ensure that the proposed Phase I exchange involves properties of “roughly equivalent value.” The valuation consultation was not an appraisal, but a “market data consultation” based on property pricing and transaction data in the vicinity of the parcels proposed for exchange. The consultation resulted in a surface value scale of “solar potential” ranging from “low” to “entitled” – these ratings categories were then applied to the state and federal parcels included in the exchange proposal. The valuation

CALENDAR ITEM NO. **01** (CONT'D)

consultation report estimated that an approximately 10:1 ratio of State land to BLM land was needed to equalize the exchange. Commission and BLM staffs used this estimated ratio to prepare the Phase I exchange parcel list.

The BLM will now prepare a Feasibility Analysis and Agreement to Initiate that will require extensive review at the local, state and national levels. The parcels proposed for exchange will also undergo formal appraisal, and parcels may be removed on either side if necessary, to maintain the equal value exchange requirement. Commission staff will carefully review these documents and the appraisals that will be used to finalize the exchange parcel list.

The proposed exchange is consistent with the October 16, 2008 *Resolution by the California State Lands Commission Supporting the Environmentally Responsible Development of School Lands under the Commission's Jurisdiction for Renewable Energy Related Projects*. The proposed exchange is also consistent with existing and proposed land use policies, including the California Desert Conservation Area Plan of 1980, as amended, the California Desert Protection Act of 1994, and the proposed DRECP. The purpose of the DRECP is to advance state and federal conservation goals in the California desert while facilitating timely permitting of renewable energy projects. The proposed Phase I exchange is consistent with the broad goals of the DRECP because it consolidates federal lands within National Conservation Land units and areas set aside for conserving certain biological, cultural, and recreational resources, while conveying lands with existing operational renewable energy facilities, or lands that otherwise have the potential to generate revenue, to the State.

OTHER PERTINENT INFORMATION:

1. The staff recommends that the Commission find that the subject authorization to enter into a Memorandum of Intent does not have a potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment, and is, therefore, not a project in accordance with the California Environmental Quality Act (CEQA).

Authority: Public Resources Code section 21065 and California Code of Regulations, Title 14, sections 15060, subdivision (c)(3), and 15378.

STATUTORY AND OTHER REFERENCES:

1. California Public Resources Code, Division 7.7, sections 8700-8723

CALENDAR ITEM NO. 01 (CONT'D)

EXHIBITS:

- A. Location Map
- B. Memorandum of Intent

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the subject authorization to enter into a Memorandum of Intent is not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the subject activity is not a project as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

AUTHORIZATION:

Authorize the Memorandum of Intent with the Bureau of Land Management in support of the proposed Phase I land exchange transaction involving the conveyance of 61,000± acres of school lands to the Bureau of Land Management for purposes of conservation, in exchange for 5,600± acres of federal lands with existing operational renewable energy facilities or lands that otherwise have potential to generate revenue for CalSTRS.

NO SCALE

LOCATION MAP



-  BLM to SLC
-  SLC to BLM
-  NLCS Wilderness Areas

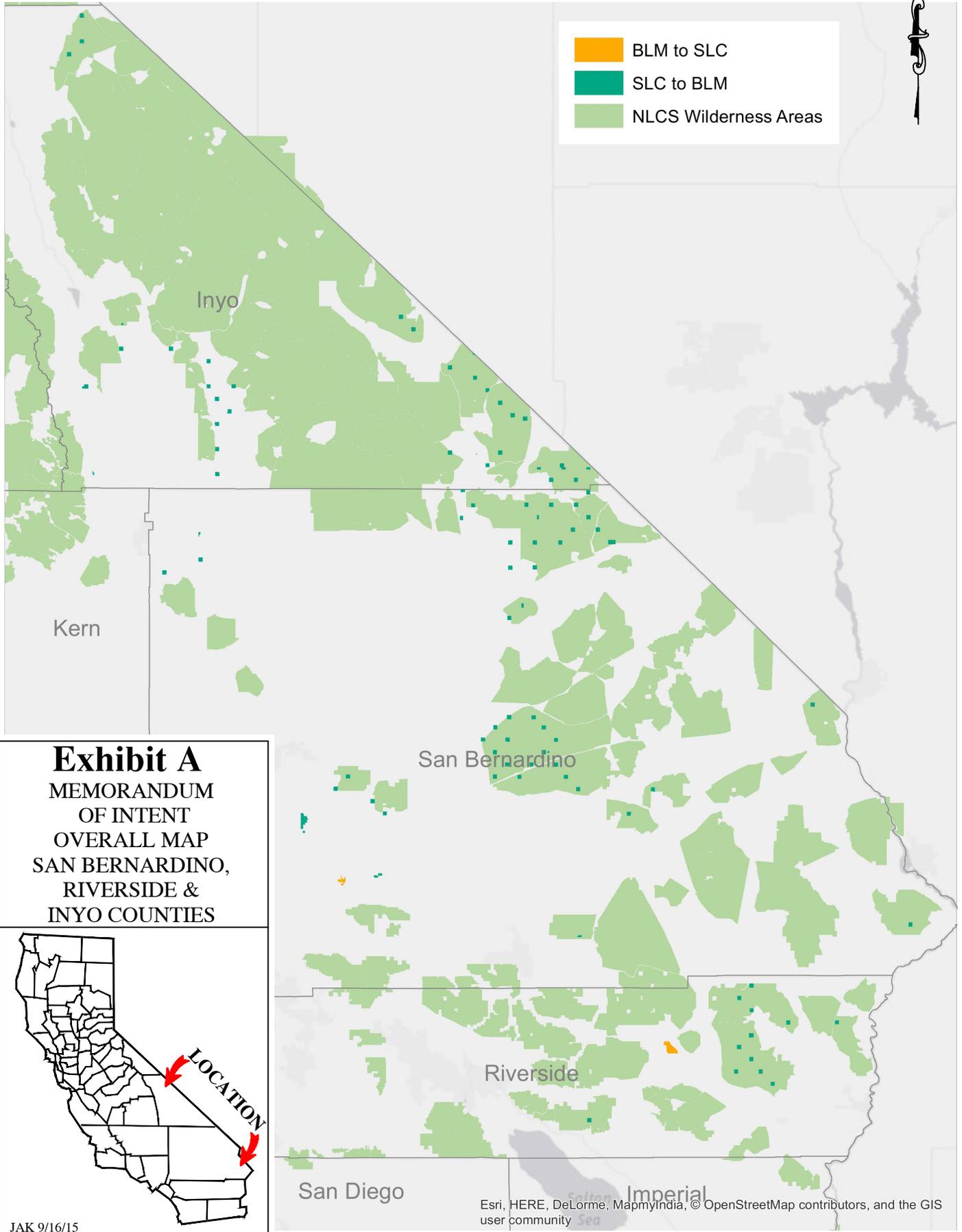


Exhibit A MEMORANDUM OF INTENT OVERALL MAP SAN BERNARDINO, RIVERSIDE & INYO COUNTIES



JAK 9/16/15

Exhibit B



October 1, 2015

Memorandum of Intent

Relating to Land Exchanges between the Bureau of Land Management and the California State Lands Commission

I. INTRODUCTION

This Memorandum of Intent is between the United States Department of the Interior, Bureau of Land Management (BLM) and the California State Lands Commission (SLC) (collectively referred to as "Parties"). The purpose of this Memorandum of Intent is to memorialize the Parties' intent and commitment to expeditiously pursue and complete the Phase I of the proposed series of land exchanges.

II. BACKGROUND

The BLM and the SLC each have long pursued efforts to protect nationally significant lands designated as National Conservation Lands and to consolidate lands that could generate revenue for the California State Teachers' Retirement System (CalSTRS), respectively. Through diligent collaboration and partnership, the proposed series of land exchanges between the Parties will achieve mutual objectives of protecting and conserving valuable biological and other natural resources, and provide access and recreational opportunities for the public through the consolidation of federal lands within the National Conservation Lands units and other BLM management areas. Further, the proposed series of land exchanges will provide an immediate and continuing revenue source dedicated to benefitting California's teachers, through the State acquisition of lands with operational renewable energy facilities and/or lands that otherwise have potential to generate revenue for CalSTRS.

The proposed land exchange supports the energy and conservation goals for the Desert Renewable Energy Conservation Plan (DRECP) and supports the State's School Land Bank Act and California Public Resources Code sections 8720 et seq.

In cooperation with the SLC, the BLM has completed the proposed list of lands to exchange that will be included in the DRECP Proposed Land Use Plan Amendment and Final Environmental Impact Statement along with a Feasibility Summary, the May 21, 2012 Memorandum of Agreement between the BLM and SLC, maps and additional supporting information.

III. PURPOSE AND COMMITMENT

The Phase I of the proposed land exchange, called the AB 982 Exchange, will include approximately 61,000± acres of state lands (serialized by the BLM as CACA 056034 P1) and approximately 5,600± acres of federal lands that have the potential for, or are previously developed with, renewable energy facilities (serialized as CACA 056034 F1). Future phases contemplate conveying approximately 150,000± acres of school lands to the BLM in exchange for approximately 16,000± acres of federal lands. The majority of lands subject to the proposed exchanges are located in San Bernardino, Inyo and Riverside counties.

There are many components involved in completing a land exchange, especially one of this magnitude. Land exchanges typically take a few years to complete, even in the absence of issues or conflicts that may arise throughout the process. Additionally, land exchanges require environmental review and public participation, in accordance with the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA), Congressional notification, review and approval by the SLC, Department of Justice, and at the BLM national, state and field office levels. In the Phase I land exchange, there will be four BLM field offices involved: Ridgecrest, Palm Springs, Barstow and Needles. Interested stakeholders and the public will have an opportunity to review and comment on the proposed land exchange as required by NEPA and CEQA.

The BLM received the market valuation consultation report on both federal and state lands to give the BLM a general idea of land values in order to select enough lands to equalize values. These values may change upon receipt of formal appraisals, at which point the lands may need to be adjusted by adding or excluding lands, and as a last resort, making a cash equalization payment. The next step is for the Parties to formally initiate the Phase I land exchange with a formal agreement.

The Phase I land exchange, as well as future phases, will provide clear, significant and comprehensive public benefits, including environmental protection, land conservation, facilitation of renewable energy, greenhouse gas reduction, and a critical and ongoing revenue source dedicated to CalSTRS for the benefit of California's retired teachers.

The Parties are following direction provided in Section 206 of the Federal Land Policy and Management Act of 1976 [43 U.S.C. 1716], Section 707 of the 1994 California Desert Protection Act, and Chapter 485, Statutes of 2011, AB 982, Skinner (Land Exchanges for Renewable Energy-Related Projects), commencing with Public Resources Code Section 8700).

The Parties, recognizing the significant benefits associated with the Phase I land exchange, commit to working expeditiously to implement the Phase I land exchange, as well as the future phases, throughout the entire process. Further, in conjunction with the Record of Decision for the DRECP Land Use Plan Amendment, the BLM will promptly begin processing Phase I of the land exchange by preparing a draft Agreement to Initiate and continue the NEPA process. The SLC commits to cooperate with the BLM to the fullest in all of the processes required for this Phase I land exchange.

IV. Approvals

California State Lands Commission

Bureau of Land Management, California

Lt. Governor Gavin Newsom
Chair, California State Lands Commission

State Director James Kenna
Bureau of Land Management, California

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