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Jonathan Barry, *Executive Secretary*

AGENDA

September 6, 2016

2:00 P.M.

Board of Commissioners of Public Lands
101 E. Wilson Street, 2nd Floor
Madison, Wisconsin

Routine Business:

- 1) Call to Order
- 2) Approve Minutes – August 16, 2016 (Attachment)
- 3) Approve Loans (Attachment)

Old Business:

- 4) Discuss and Vote on Out of State Travel
 - 2016 Schwab Impact Conference

New Business:

- 5) Discuss and Vote on Proposed Land Bank Sale – Sailor Lake (S1701) (Attachments)

Routine Business:

- 6) Future Agenda Items
- 7) Executive Secretary's Report
- 8) Adjourn

AUDIO ACCESS INFORMATION

Toll Free Number: **(888) 291-0079**
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**BOARD MEETING
SEPTEMBER 6, 2016**

**AGENDA ITEM 2
APPROVE MINUTES**

Attached for approval are the minutes from the August 16, 2016, board meeting.

Board Meeting Minutes
August 16, 2016

Present via teleconference were:

- | | |
|---|--|
| Doug La Follette, Commissioner | Secretary of State |
| Matt Adamczyk, Commissioner | State Treasurer |
| Jonathan Barry, Executive Secretary | Board of Commissioners of Public Lands |
| Tom German, Deputy Secretary | Board of Commissioners of Public Lands |
| Richard Sneider, Loan Analyst and
Chief Investment Officer | Board of Commissioners of Public Lands |
| Vicki Halverson, Office Manager | Board of Commissioners of Public Lands |

ITEM 1. CALL TO ORDER

Commissioner La Follette called the meeting to order at 2:09 p.m. He noted that Board Chair Schimel was not present for the teleconference.

ITEM 2. APPROVE MINUTES – AUGUST 2, 2016

MOTION: Commissioner La Follette moved to approve the minutes; Commissioner Adamczyk seconded the motion.

DISCUSSION: None.

VOTE: The motion passed 2-0.

ITEM 3. APPROVE LOANS

Executive Secretary Barry reported that the loans had been reviewed for proper public purpose.

Municipality	Municipal Type	Loan Type	Loan Amount
1. Brooklyn Dane and Green Counties Application #: 02017022 Purpose: Finance purchase of fire tender truck	Village Rate: 3.00% Term: 10 years	General Obligation	\$40,000.00
2. Freedom Sauk County Application #: 02017017 Purpose: Purchase dump truck/plow	Town Rate: 3.00% Term: 10 years	General Obligation	\$90,000.00
3. Kohler Sheboygan County Application #: 02017023 Purpose: Finance capital equipment and street projects	Village Rate: 3.00% Term: 10 years	General Obligation	\$980,000.00
4. Kohler Sheboygan County Application #: 02017024 Purpose: Finance tax assessment refund	Village Rate: 2.50% Term: 5 years	General Obligation	\$2,187,450.00

5.	Ruby Chippewa County Application #: 02017016 Purpose: Finance road construction	Town Rate: 2.50% Term: 4 years	General Obligation	\$100,000.00
6.	Union Pierce County Application #: 02017025 Purpose: Refinance bank loan	Town Rate: 2.50% Term: 5 years	General Obligation	\$94,322.21
7.	Union Pierce County Application #: 02017026 Purpose: Refinance BCPL loan #2014041	Town Rate: 2.50% Term: 5 years	General Obligation	\$195,088.14
8.	Waupaca Waupaca County Application #: 02017018 Purpose: Refinance 2001B CDA lease revenue bonds	City Rate: 2.50% Term: 2 years	General Obligation	\$170,034.00
9.	Waupaca Waupaca County Application #: 02017019 Purpose: Refinance 2002A CDA lease revenue bonds	City Rate: 3.00% Term: 6 years	General Obligation	\$278,926.00
10.	Waupaca Waupaca County Application #: 02017020 Purpose: Refinance 2003A CDA lease revenue bonds	City Rate: 3.00% Term: 7 years	General Obligation	\$923,644.00
11.	Waupaca Waupaca County Application #: 02017021 Purpose: Refinance 2004A CDA lease revenue bonds	City Rate: 2.50% Term: 3 years	General Obligation	\$883,028.00
TOTAL				\$5,942,492.35

MOTION: Commissioner La Follette moved to approve the loans; Commissioner Adamczyk seconded the motion.

DISCUSSION: Commissioner Adamczyk voiced his general objections to the loans. However, he said he would vote in favor of them this time to avoid holding another meeting since Board Chair Schimel would vote in favor were he present.

VOTE: The motion passed 2-0.

ITEM 4. DISCUSS AND VOTE ON OUT-OF-STATE TRAVEL – 2016 SCHWAB IMPACT CONFERENCE

This agenda item will be discussed at a future meeting.

ITEM 5. FUTURE AGENDA ITEMS

None.

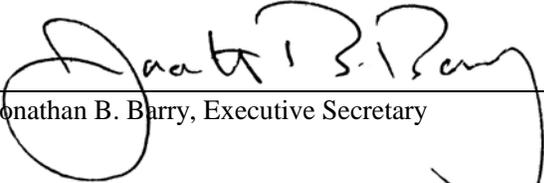
ITEM 6. EXECUTIVE SECRETARY'S REPORT

None.

ITEM 7. ADJOURN

MOTION: Commissioner Adamczyk moved to adjourn the meeting; Commissioner La Follette seconded the motion.

The meeting adjourned at approximately 2:20 p.m.


Jonathan B. Barry, Executive Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim.
Link to audio recording: ftp://doafpt1380.wi.gov/doadocs/BCPL/2016-08-16_BCPL-BoardMtgRecording.mp3

**BOARD MEETING
SEPTEMBER 6, 2016**

**AGENDA ITEM 3
APPROVE LOANS**

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Baraboo Columbia and Sauk Counties Application #: 02017033 Purpose: Purchase building	School Rate: 3.00% Term: 10 years	General Obligation	\$662,000.00
2. Blackhawk Area Sanitary District Waukesha County Application #: 02017031 Purpose: Finance maintenance projects	Sanitary District Rate: 3.00% Term: 10 years	General Obligation	\$250,000.00
3. Brooklyn Green County Application #: 02017039 Purpose: Purchase fire tender truck	Town Rate: 2.50% Term: 5 years	General Obligation	\$29,222.88
4. Chippewa Falls Chippewa County Application #: 02017035 Purpose: Finance TID #12 Riverside Park improvements	City Rate: 4.50% Term: 15 years	TID Revenue	\$3,400,000.00
5. Conover Vilas County Application #: 02017028 Purpose: Finance road maintenance	Town Rate: 2.50% Term: 5 years	General Obligation	\$361,000.00
6. Cumberland Barron County Application #: 02017037 Purpose: Purchase squad car and equipment	City Rate: 2.50% Term: 3 years	General Obligation	\$40,000.00
7. Endeavor Marquette County Application #: 02017038 Purpose: Purchase municipal plow/maintenance truck	Village Rate: 3.00% Term: 8 years	General Obligation	\$65,000.00
8. Gilmanton Buffalo County Application #: 02017029 Purpose: Finance road projects	Town Rate: 3.00% Term: 10 years	General Obligation	\$125,000.00

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
9. Juda Green County Application #: 02017036 Purpose: Purchase curriculum	School Rate: 3.00% Term: 10 years	General Obligation	\$110,000.00
10. La Crosse La Crosse County Application #: 02017034 Purpose: Refinance Solid Waste Bonds, Series 2006-B	County Rate: 3.75% Term: 10 years	Utility Revenue	\$7,820,000.00
11. Redgranite Waushara County Application #: 02017032 Purpose: Purchase police vehicle	Village Rate: 2.50% Term: 5 years	General Obligation	\$49,577.24
12. Wilton Monroe County Application #: 02017027 Purpose: Finance TID projects	Village Rate: 3.00% Term: 8 years	General Obligation	\$800,000.00
13. Wyocena Columbia County Application #: 02017030 Purpose: Finance road reconstruction	Village Rate: 2.50% Term: 2 years	General Obligation	\$30,000.00
TOTAL			\$13,741,800.12

**BOARD MEETING
SEPTEMBER 6, 2016**

**AGENDA ITEM 5
PROPOSED LAND BANK SALE TO THE PUBLIC
(B1701 – PRICE COUNTY – SAILER LAKE ROAD PROPERTY)**

BCPL owns four contiguous parcels of land (the “Property”) in Price County totaling approximately 160 acres.

BCPL staff recommends the sale of the Property to the public via the sealed bid process for the following reasons:

- Although the Property is located within the consolidation zone, the amount of productive timberland on the Property makes it hard to profitably manage for timber;
- It is not likely that other contiguous properties can be acquired by BCPL to improve management efficiencies of the Property;
- The Property is not needed to provide access to other BCPL lands;
- Sale of the Property would provide BCPL with funds to purchase other lands that would provide better access to its existing lands, produce timber revenue, improve management efficiency, reduce forest fragmentation, or all of the above;
- No governmental entities in Wisconsin have determined that any part of the Property is required for their respective use; and
- Sale of the Property via the sealed bid process is expected to be the best method for maximizing the sales proceeds from the Property.

Attachments:

Resolution w/Exhibits

Exhibit A: BCPL Sales Analysis

Exhibit B: Appraisal Certification

Exhibit C: Map of the Property

**BOARD MEETING
SEPTEMBER 6, 2016**

**AGENDA ITEM 5
PROPOSED LAND BANK SALE TO THE PUBLIC
(B1701 – PRICE COUNTY – SAILER LAKE ROAD PROPERTY)**

RECITALS

- A. The Board of Commissioners of Public Lands currently holds title to four parcels of land located in Price County that together comprise approximately 160 acres (Collectively, the “Property”). The Property is more particularly described as the Southwest quarter of the Northeast quarter (SWNE), the Northeast of the Southwest quarter (NESW), the Northwest of the Southeast quarter (NWSE) and the Northeast of the Southeast quarter (NESE) of Section Six (S6) in Township Thirty-eight North (T38N) Range Two West (R2W) in Price County, Wisconsin.
- B. Although the Property is located within the consolidation zone, the amount of productive timberland on the Property makes it hard to profitably manage for timber.
- C. It is not likely that other contiguous properties can be acquired by BCPL to improve management efficiencies of the Property.
- D. The Property is comprised of isolated or unproductive parcels and has been evaluated by BCPL staff against sale criteria previously adopted by the Board. The Property has been determined by BCPL staff to be appropriate for sale according to such criteria. A copy of the sale analysis is attached to this resolution as Exhibit A.
- E. The Property has been independently appraised by Steigerwaldt Land Services, Inc. at a value of One Hundred Fifty-one Thousand Eight Hundred Fifty Dollars (\$151,850). A copy of the Certification of the Appraisal has been attached to this resolution as Exhibit B.
- F. BCPL staff members assert that, to the best of their knowledge, the Property is not required by any other governmental unit in Wisconsin.
- G. BCPL staff members recommend that the Board authorize the sale of the Property at public sale pursuant to the sealed bid process set forth in Wisconsin Statutes Chapter 24 at a minimum price of \$151,850.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands authorizes the sale of the Property pursuant to the sealed bid process described in Chapter 24 of the Wisconsin Statutes. The minimum acceptable bid for the Property shall be the appraised value of One Hundred Fifty-one Thousand Eight Hundred Fifty Dollars (\$151,850) determined by the independent appraiser as set forth above. The sale shall be held in accordance with Chapter 24 of the Wisconsin Statutes on such terms and conditions as the Executive Secretary determines to be reasonable and necessary. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such transaction.

Board of Commissioners of Public Lands
Summary Analysis of Potential Property Sale
Transaction ID#: S 1701

Item 4
Exhibit A

Common Name for Land Parcel: Sailor Lake

County: Price Township: Worcester

Legal Description: T38N-R2E - Section 6, SWNE, NESW, NESE, NWSE

GLO Acres: 160

Sale Criteria

1. Title

- Ownership verified with Register of Deeds.
- Title appears merchantable.

2. Timber Management

- Parcel is located outside of Consolidation Zone.
- Parcel is an isolated or unproductive parcel within the Consolidation Zone.

3. Access

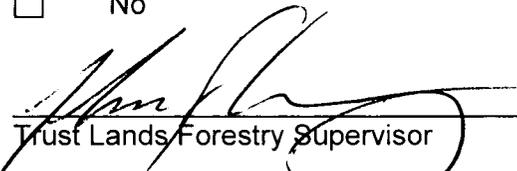
- Parcel does not provide the only reasonable access to other BCPL parcels that will be retained.
- If parcel does provide the only reasonable access to other BCPL parcels to be retained, a public access easement across the parcel has been reserved.
- Parcel has no current access.

4. Parcel Required By Other Government Entity

- The parcel is located within a project boundary of another government agency or adjacent to a parcel of land owned by another unit of government.
- Parcel is otherwise required by another unit of government.

I recommend that BCPL sell the above property on terms and conditions acceptable to BCPL:

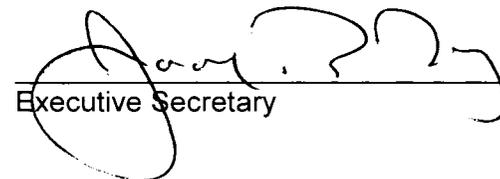
- Yes
- No


Trust Lands Forestry Supervisor

8/9/16
Date

I accept the recommendation of the Trust Lands Forestry Supervisor and direct the staff to proceed accordingly.

- Yes
- No


Executive Secretary

8-17-16
Date

REC'D AUG 12 2016

4. Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct and no important facts have been withheld.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
4. Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
5. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the "Uniform Appraisal Standards for Federal Land Acquisitions" and the "Uniform Standards of Professional Appraisal Practice."
6. Steven R. Kimble inspected the subject property on August 11, 2016. Lee A. Steigerwaldt did not personally inspect the subject property. All comparable sales were inspected by the appraiser or by qualified staff of Steigerwaldt Land Services, Inc.
7. Lee A. Steigerwaldt and Steven R. Kimble prepared this report. No one provided significant real property appraisal assistance to the people signing this certification.
8. The appraiser did not discuss the subject property's value with the owner or the owner's representative.
9. Within the prior three years, the appraiser has not performed any other services with regard to the subject property, and no services except this appraisal assignment are currently in progress.
10. It is our opinion that the market value of the subject property is \$151,850.00 as of August 11, 2016.

STEIGERWALDT LAND SERVICES, INC.

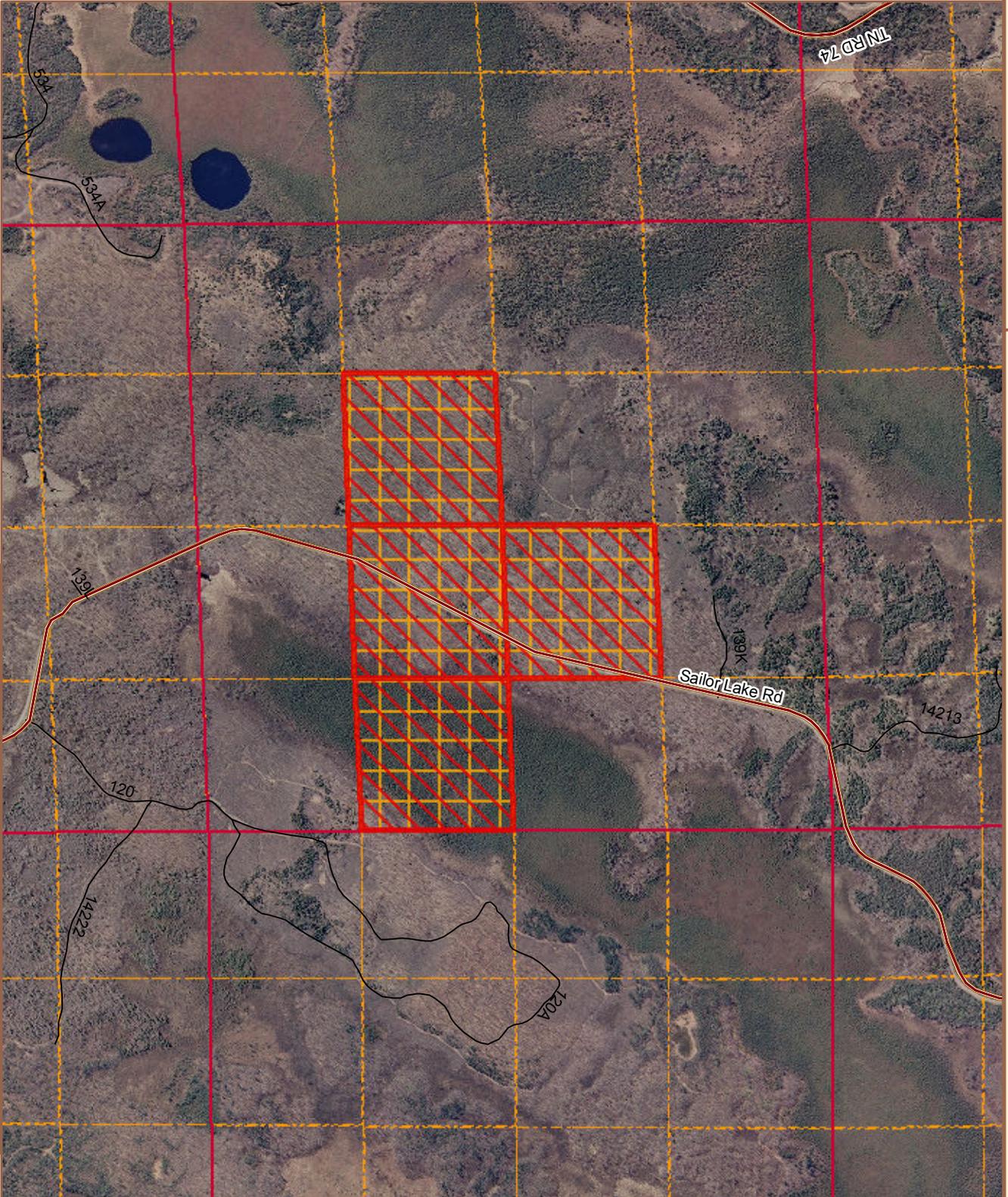


Lee A. Steigerwaldt, ACF
Wisconsin Certified General Appraiser No. 1516



Steven R. Kimble
Appraisal Assistant

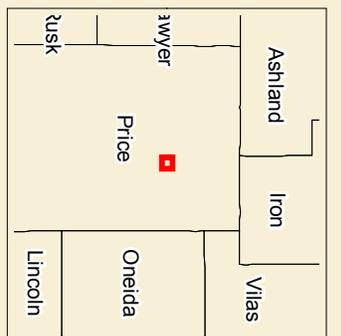
WORCESTER SAILOR LAKE SALE



INTERNAL USE ONLY

BCPL_J/T - September 01, 2016

S1701-Price_Worcester_Sailor_Lake_Parcel-8x11.mxd



BCPL Project #:
S1701

County: Price

Town: Worcester

Common Name:
Worcester Sailor Lake

Acres - 160.0

Fund 745



Parcels being Sold



BCPL Land



BOARD MEETING**September 6, 2016****AGENDA ITEM 5****EXECUTIVE SECRETARY'S REPORT****BCPL Opportunities in Commercial Real Estate****Executive Summary**

The Investment Policy Statement recommended by staff includes an allocation to commercial real estate. Real estate investments would diversify the portfolio while producing current income and the potential for long-term capital gains. Additional risks inherent in this asset class may be prudently managed through diversification and the choice of investment type and manager.

Similar to other asset classes at the present time, many commercial real estate assets appear fully valued. However, a properly managed allocation through selective and opportunistic investments in commingled funds, public securities, or joint venture partnerships are likely to provide Trust Fund beneficiaries with an acceptable risk-adjusted rate of return over a long-range horizon.

As the BCPL moves forward with its fiduciary duty to diversify investments as required under the Prudent Investor Standard, it is important to understand the risks and benefits of adding new asset classes, including commercial real estate.

The overall risk-adjusted returns on the Common School Fund portfolio would benefit an allocation to real estate because there is a low correlation between the returns on commercial real estate and fixed income investments. A portfolio that includes assets that have returns with low correlations to each other will provide overall portfolio returns with reduced variability (risk).

The average annual total return (income plus appreciation) in the U.S. commercial real estate market has averaged 9.56% since 2000¹. Expected future returns are considerably lower as institutional-quality real estate investments appear to be fully valued in the marketplace (prices are currently considered high by many investors). Consensus surveys by the Pension Real Estate Association (PREA) indicate return expectations of 8.4 percent in 2016, 6.8 percent for 2017 and 5.7 percent in 2018. However, good opportunities remain available for asset managers like BCPL that benefit from a long-range investment horizon. By proceeding in a selective and opportunistic manner, and diversifying investments to reduce property specific risks, staff believes that an allocation to commercial real estate remains in the best interest of Trust Fund beneficiaries.

As an agency, BCPL has strengths that could prove advantageous in an allocation to commercial real estate. One advantage may be the relationship that BCPL maintains with other state agencies and the current reluctance by the State of Wisconsin to issue additional bonds. The resulting need to raise capital by other means may provide opportunities for the BCPL to negotiate favorable terms for investment in properties leased to state agencies. In addition, the BCPL benefits from strong in-house expertise. CIO Richard Sneider has 25 years of experience in commercial real estate investment following his receiving both BBA and MS degrees from UW-Madison in Real Estate Appraisal and Investment Analysis.

¹ National Council of Real Estate Investment Fiduciaries - National Property Index

There are several vehicles available for BCPL investment in commercial real estate, and each has certain advantages and disadvantages:

- **Sole Ownership** – While benefitting from a high degree of investment control, one major problem with sole ownership is that current statutes do not allow the BCPL to purchase land in the State of Wisconsin (other than the purchase of timberland under strict criteria). In addition, agency staffing is not at the levels that would be required to acquire and manage individual properties. Sole ownership by BCPL also fails to utilize possible tax benefits that would provide value to another investor. Investment in individual properties increases the exposure of BCPL to property-specific risks and provides no benefit of diversification within the asset class.
- **Commingled Fund** – Investment in a Commingled Fund would be allowed under current statutes. Commingled Funds combine the investment of several institutional investors, are managed by experts in commercial real estate, and allow for the acquisition/development/management of large portfolios of properties. Depending on the Fund, these properties may focus on a select geographic area or property type or could include widely diversified properties across the globe. Management fees can be significant and there is limited liquidity compared to a publicly-traded REIT.
- **Public Securities (REITs)** – Investment in a REIT would be allowed under current statutes. Advantages of an investment in publicly-traded REITs include liquidity, possible geographic and property-type diversification, and the availability of management expertise. However, the returns on REITs have been highly correlated with the stock market, and this investment would provide less diversification to overall portfolio returns.
- **Joint Venture/Partnership/LLC** – Investment in a Joint Venture, Partnership, or LLC that invests in commercial real estate assets would be allowed under current statutes. Advantages include a high level of control in addition to having available expertise, property management, and reporting from our partner(s). This form of ownership lacks liquidity and diversification, but provides certain advantages over sole ownership should BCPL consider investment in an individual property.

Investments in commercial real estate through Commingled Funds, REITs and Partnerships all have advantages to BCPL depending on the specific goals of the allocation. Commingled Funds and REITs would provide diversification to the Common School Fund portfolio, while a partnership with an experienced real estate investment company may prove beneficial should an attractive opportunity in an individual property become available.