

State of Wisconsin

SENATE CHAIR
Alberta Darling

317 East, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-5830



ASSEMBLY CHAIR
John Nygren

309 East, State Capitol
P.O. Box 8593
Madison, WI 53708-8953
Phone: (608) 266-2343

Joint Committee on Finance

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: March 13, 2015

Re: 14-Day Passive Review Approval – DNR

Pursuant to s. 23.0917(6m), Stats., attached is a 14-day passive review request from the Department of Natural Resources, received on March 13, 2015.

Please review the material and notify **Senator Darling** or **Representative Nygren** no later than **Wednesday, April 1, 2015**, if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

AD:JN:jm

State of Wisconsin
DEPARTMENT OF NATURAL RESOURCES
101 S. Webster Street
Box 7921
Madison WI 53707-7921

Scott Walker, Governor
Cathy Stepp, Secretary
Telephone 608-266-2621
FAX 608-267-3579
TTY Access via relay - 711



The Honorable Alberta Darling
Committee on Joint Finance
317 East, State Capitol
Madison, WI 53701

The Honorable John Nygren, Co-Chair
Committee of Joint Finance
309 East, State Capitol
Madison, WI 53701

Dear Senator Darling and Representative Nygren:

Pursuant to §23.0917(6m), Wis. Stats., the Department is notifying you as co-chairs of the Committee on Joint Finance of the proposed easement acquisition of 21,189 acres from The Lyme St. Croix Forest Company using funds from the Knowles-Nelson Stewardship Program.

The purchase price of the easement is \$5,615,148.60, of which \$1,865,148.60 will be funded by the Knowles-Nelson Stewardship program and \$3,750,000 will be funded by a US Forest Service Forest Legacy Grant. Miscellaneous fees associated with the transaction are estimated at \$27,300.

The transaction was approved at the February 25, 2015 Natural Resources Board meeting. I have attached the materials that were presented to the Board.

As provided in §23.0917(6m), if the Department does not receive notification of the scheduling of a hearing from either of the JFC co-chairpersons within 14 working days from today, the Department will forward the proposal to the Governor for his consideration. If there are questions about the proposal, please contact Douglas Haag at 608-266-2136.

Thank you for this consideration.

Sincerely,

Michael Bruhn
Assistant Deputy Secretary

Attachment

Lyme St. Croix Easement Project Overview

- The 65,834 acre easement transaction was presented to the NRB and the Joint Finance Committee in 2012. Phase I totaling 44,679.09 acres was approved at that time.
- Phase II (21,154 acres) was held back in order to secure federal funding. A federal grant award of \$3.75 million has now been awarded to the state. The state share from the Knowles Nelson Stewardship Program is approximately \$1.9 million.
- Approximately 90% of the Phase II easement is located within the acquisition boundary of the Brule River State Forest (see map)
- The pine forest on the easement area provides wood products to 12 pulp, saw timber and telephone pole processing mills and other supporting industries in the region.
- The forest products industry employs 56,500 workers and provides \$16 billion in Economic value in wood and paper products in Wisconsin.
- The easement ensures permanent management of the land as a sustainable, working forest, which will help safeguard the livelihoods for regional and statewide workers in the forest products industry.
- The property remains in private ownership. Since being acquired by Lyme Timber, the property has steadily employed approximately 18 logging and/or hauling contractors, plus several additional contractors involved with road maintenance, reforestation contracting, and other property tasks.
- This property is one of the few remaining in Wisconsin results in contracts directly with loggers to produce and deliver harvested timber. This landowner/logger relationship provides the security and stability that the logging contractors need to manage a successful business.
- The property generates a significant, reliable, and stable volume of pine delivered to a mid-Wisconsin mill. This level of fiber supply requires a comparatively large, single-owner managed land base. Deliveries to this mill also use rail transportation, helping to maintain this threatened component of our fiber supply chain. An additional 14 mills are routinely supplied with fiber, including over 20 different raw forest products.

SUBJECT: Easement Purchase – Forest Legacy Program– Douglas County

FOR: February 2015 Board Meeting

TO BE PRESENTED BY: Douglas J Haag

SUMMARY: In May 2012, the Department entered into an Option agreement with Lyme St. Croix Forest Company to acquire a working forest easement on approximately 65,867 acres of land in northwest Wisconsin. The Option identified a two-phased transaction. The Natural Resources Board approved phase I of the transaction, consisting of 44,678 - acres at a cost of \$11,260,000 in June of 2012. That transaction closed in September of 2012. The Department submitted a federal Forest Legacy Program (FLP) funding application for the phase II transaction and phase II has been on hold pending review of that grant application. The Department was recently notified that \$3,750,000 in FLP funding is available for this project and is now bringing phase II forward for approval. Phase II consists of 21,189 acres at the price of \$5,615,148.60 plus applicable appraisal and closing costs. The state share of the transaction will be \$1,865,148.60 plus a share of appraisal and closing costs. The state share will come from the Knowles Nelson Stewardship Program.

The easement property is located within the Northern Forest Legacy Area project boundary identified in Wisconsin's 2010 Statewide Forest Action Plan; this plan identifies the State of Wisconsin's priorities for implementing the Forest Legacy Program. The purpose of the Forest Legacy Program in Wisconsin is to:

- maintain large blocks of forest land for continued forestry and resource management by precluding buildings, subdivision, deforestation or any significant topographical change;
- manage the property as part of the underlying landowner's commercial timber harvest base ensuring the continued economic viability of the property as productive forest land;
- provide public outdoor recreational uses including hiking, cross country skiing, hunting, fishing and trapping;

Approximately 17,513 acres of the easement property are also located within the Brule River State Forest acquisition boundary. This represents about 54% of the total remaining acquisition boundary within the state forest. Excellent public road access to the phase II lands is available through a network of town roads that run on a square mile grid pattern throughout the parcel. The Phase II easement includes adjacency to 7 named lakes and 32 unnamed/lakes/ponds. There is good walk in access to Muck Lake, Sand Lake, Loon Lake and Deer Print Lake and access off woods roads to Black Fox Lake and Paradise Lake, providing fishing, trapping and waterfowl hunting opportunities. Mud Creek, which is a Class II trout stream, runs approximately 4.3 miles through the easement tract. The North Country National Scenic Trail also bisects the northwest end of the easement tract and is a popular destination for hikers. The easement area also includes 8 miles of public snowmobile trails. The Department will acquire rights for the public to use these existing snowmobile trails in perpetuity.

Much of the easement area is classified as Pine Barrens. This unique community supports a high number of species, including sharp-tailed grouse, the Kirtland's warbler, and many species found on the state list of Species of Greatest Conservation Need. Pine Barrens in Wisconsin are dynamic and highly variable fire-driven ecosystems, and can be managed for a continuum of natural structurally distinct community types from semi-open brush prairie, to savannas with scattered trees, to close canopy dry forest.

One of the forest management goals articulated in the easement includes a shifting mosaic of 500 acres of young red pine and/or jack pine within blocks of middle and older forests to encourage barrens habitat. This is compatible with industrial forest management for pine and benefits sharp-tailed grouse and Kirtland warblers, species dependent on the Northern Pine Barrens Ecosystem.

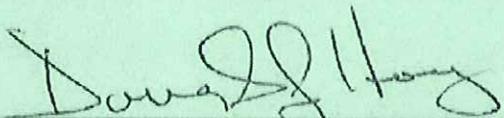
Acquisition of this easement will ensure this large block of northern forest will continue to provide for sustainable timber management and harvest, wildlife habitat and public outdoor recreation. Lyme St. Croix Forest Company, or any future owner, will remain responsible for land management within the terms of the easement.

RECOMMENDATION: That the Board approve the purchase of a working forest easement from Lyme St. Croix Timber Company on approximately 21,189 acres of land for \$5,615,148.60 for the Forest Legacy Program in Douglas County.

LIST OF ATTACHED MATERIALS:

No <input checked="" type="checkbox"/>	Fiscal Estimate Required	Yes <input type="checkbox"/>	Attached
No <input checked="" type="checkbox"/>	Environmental Assessment of Impact Statement Required	Yes <input type="checkbox"/>	Attached
No <input type="checkbox"/>	Background Memo	Yes <input checked="" type="checkbox"/>	Attached

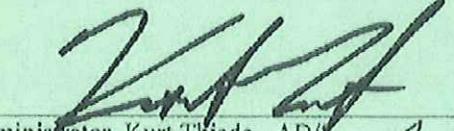
APPROVED:



Bureau of Facilities and Lands, Douglas J Haag - LF/6

2-11-2015

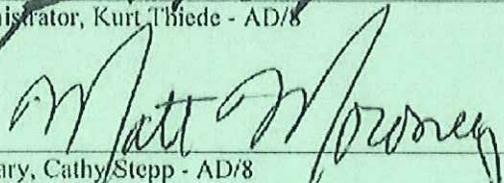
Date



Administrator, Kurt Thiede - AD/8

2-11-15

Date



Secretary, Cathy Stepp - AD/8

2/11/15

Date

cc: S. Miller - LF/6
D. Haag - LF/6
L. Ross - AD/5
T. Marty - PR/4
P. Bruggink - NOR - RHINELANDER

CORRESPONDENCE/MEMORANDUM

DATE: February 11, 2015
 TO: Governor Walker
 FROM: Cathy Stepp
 SUBJECT: Proposed Easement Acquisition, The Lyme St. Croix Timber Company Tract
 Tract, File # NF 30099

FILE REF: NF 30099

1. PARCEL DESCRIPTION:

FOREST LEGACY PROGRAM
 Douglas County

Grantor:

The Lyme St. Croix Forest Company
 Attn: Mr. Tom Morrow
 23 South Main Street, 3rd floor
 Hanover, NH 3755

Acres: 21,189

Price: \$5,615,148.60

Interest: Conservation Easement

Improvements: None

Location: The tract is located in the Towns of Highland and Solon Springs in Douglas County

Land Description: The subject land is a mix of level to rolling uplands with wetlands and 39 lakes/ponds.

Covertypes Breakdown:

Type	Acreage
Red Pine	12,903.94
Jack Pine	3,807.75
Hardwood, open	2115.52
Upland	1,304.09
Lowland	1,057.70
Total:	21,189.00

Zoning: Forestry

Present Use: Industrial Forest

Proposed Use: Resource Protection and Public Recreation

Tenure: 3 years

Option date: November 20, 2013

Stewardship Land Access: This property will be open to the public for all nature based outdoor recreational activities to include hunting, fishing, trapping, hiking and cross-country skiing. Physical features of the property may not be conducive to all of these activities.

2. JUSTIFICATION:

In May 2012, the Department entered into an Option agreement with Lyme St. Croix Forest Company to acquire a working forest easement on approximately 65,867 acres of land in northwest Wisconsin. The Option identified a two-phased transaction. The Natural Resources Board approved phase 1 of the



transaction, consisting of 44,678 - acres at a cost of \$11,260,000 in June of 2012. That transaction closed in September of 2012. The Department submitted a federal Forest Legacy Program (FLP) funding application for the phase II transaction and phase II has been on hold pending review of that grant application. The Department was recently notified that \$3,750,000 in FLP funding is available for this project and is now bringing phase II forward for approval. Phase II consists of 21,189 acres at the price of \$5,615,148.60 plus applicable appraisal and closing costs. The state share of the transaction will be \$1,865,148.60 plus a share of appraisal and closing costs. The state share will come from the Knowles Nelson Stewardship Program.

The easement property is located within the Northern Forest Legacy Area project boundary identified in Wisconsin's 2010 Statewide Forest Action Plan; this plan identifies the State of Wisconsin's priorities for implementing the Forest Legacy Program. The purpose of the Forest Legacy Program in Wisconsin is to:

- maintain large blocks of forest land for continued forestry and resource management by precluding buildings, subdivision, deforestation or any significant topographical change;
- manage the property as part of the underlying landowner's commercial timber harvest base ensuring the continued economic viability of the property as productive forest land;
- provide public outdoor recreational uses including hiking, cross country skiing, hunting, fishing and trapping;

Approximately 17,513 acres of the easement property are also located within the Brule River State Forest acquisition boundary. This represents about 54% of the total remaining acquisition boundary within the state forest. Excellent public road access to the phase II lands is available through a network of town roads that run on a square mile grid pattern throughout the parcel. The Phase II easement includes adjacency to 7 named lakes and 32 unnamed/lakes/ponds. There is good walk in access to Muck Lake, Sand Lake, Loon Lake and Deer Print Lake and access off woods roads to Black Fox Lake and Paradise Lake, providing fishing, trapping and waterfowl hunting opportunities. Mud Creek, which is a Class II trout stream, runs approximately 4.3 miles through the easement tract. The North Country National Scenic Trail also bisects the northwest end of the easement tract and is a popular destination for hikers. The easement area also includes 8 miles of public snowmobile trails. The Department will acquire rights for the public to use these existing snowmobile trails in perpetuity.

Much of the easement area is classified as Pine Barrens. This unique community supports a high number of species, including sharp-tailed grouse, the Kirtland's warbler, and many species found on the state list of Species of Greatest Conservation Need. Pine Barrens in Wisconsin are dynamic and highly variable fire-driven ecosystems, and can be managed for a continuum of natural structurally distinct community types from semi-open brush prairie, to savannas with scattered trees, to close canopy dry forest.

One of the forest management goals articulated in the easement includes a shifting mosaic of 500 acres of young red pine and/or jack pine within blocks of middle and older forests to encourage barrens habitat. This is compatible with industrial forest management for pine and benefits sharp-tailed grouse and Kirtland warblers, species dependent on the Northern Pine Barrens Ecosystem.

Acquisition of this easement will ensure this large block of northern forest will continue to provide for sustainable timber management and harvest, wildlife habitat and public outdoor recreation. Lyme St. Croix Forest Company, or any future owner, will remain responsible for land management within the terms of the easement.

3. LAND MANAGEMENT:

The 21,189 acre Brule-St. Croix Phase II Property, will continue to be owned and managed by a private landowner. The easement ensures that the land will continue to be available for industrial forest management as well as public recreational use. Management must be conducted in compliance with a Department approved Forest Management Plan consistent with the requirements of the Managed Forest Law program. Additionally, conservation elements in the easement encourage a shifting mosaic of blocks of young pine forests, which provides critical habitat for sharp-tailed grouse and Kirtland warblers. This project lies within one of the best landscapes in North America to restore the globally rare Pine Barrens

community. This shifting mosaic management approach will ensure available habitat for the many species that rely on this declining habitat.

4. FINANCING:

US Forest Service Forest Legacy Grant Funds in the amount of \$3,750,000 will be used. State Stewardship bond funds in the amount of: \$1,865,148.60 plus a share of appraisal and closing costs.

Funds allotted to program:	Balance after proposed transaction:
\$5,600,000	\$351

5. ACQUISITION STATUS OF THE FOREST LEGACY PROGRAM:

Established: 2002

Acres Purchased to Date: 203,058.22

6. APPRAISAL 1:

Appraiser: Michael Augustyn

Valuation Date: April 4, 2012

Highest and Best Use: Forestry and Recreation

Allocation of Values (entire property):

Before Value:	\$34,212,000
<u>After Value:</u>	<u>\$16,971,000</u>
Easement:	\$17,241,000 (\$256/acre)

Comments: The appraiser values the total easement area of 67,346.9 acres and assigned a unit value of \$256 per acre for the easement. The Department used this value to set the option price for the entire transaction and then allocated a slightly lower price per acre to phase I and a slightly higher per acre price to phase II.

APPRAISAL 2:

Appraiser: Terrasource Valuation

Valuation Date: October 5, 2011

Appraised Value: \$6,706,212

Highest and Best Use: Sustainable Commercial Forestry and Recreation

Allocation of Values (21,189 acres):

Before Value:	\$11,867,394
<u>After Value:</u>	<u>\$ 5,150,481</u>
Easement:	\$ 6,716,913 (\$317/acre)

Comments: The appraiser valued the entire 72,823-acre Lyme Timber ownership and then valued the impact of the 67,000-acre easement to the total acreage. The numbers above are an allocation from that appraisal based on the total 21,189 acres in the phase II easement transaction.

Appraisal Review

Peter Wolter - February 16, 2012

FEDERAL GRANT APPRAISAL:

FEDERAL GRANT APPRAISAL:

Appraiser: Bill Steigerwaldt, Compass Land Consultants, Inc.

Valuation Date: October 9, 2014

Appraised Value: \$5,000,000

Highest and Best Use:

Allocation of Values:

Before Value: \$29,500,000

After Value: \$24,500,000

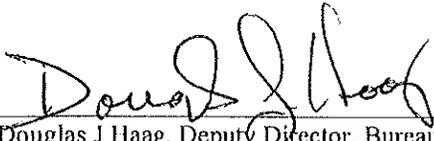
Easement: \$5,000,000

Appraisal Review:

Douglas Dane, Senior Review Appraiser, USDA Forest Service Region 9- January 9, 2015

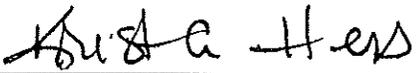
Comments: The USDA Forest Service obtained an appraisal meeting the requirements of Uniform Appraisal Standards for Federal Land Acquisitions as required through Forest Legacy Program grant funding. As required by the FS appraisal task assignment to the appraiser, the entire Lyme St. Croix Forest Company ownership of 65,478 acres was appraised. This includes the phase I encumbered property. The purpose of this appraisal is to determine the value of the 21,154-acre easement for USDA Forest Service Forest Legacy Program grant reimbursement. The Forest Legacy Program funds up to 75% of the approved federal grant appraisal. There is a slight difference in acreage between the federal grant appraisal and the actual acreage of the easement transaction.

RECOMMENDED:



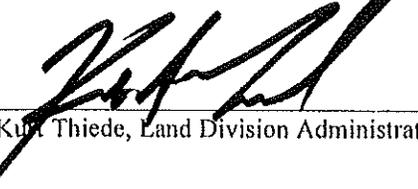
Douglas J Haag, Deputy Director, Bureau of Facilities and Lands

2-11-2015
Date



Kristin A. Hess, Bureau of Legal Services

2/11/15
Date



Kurt Thiede, Land Division Administrator

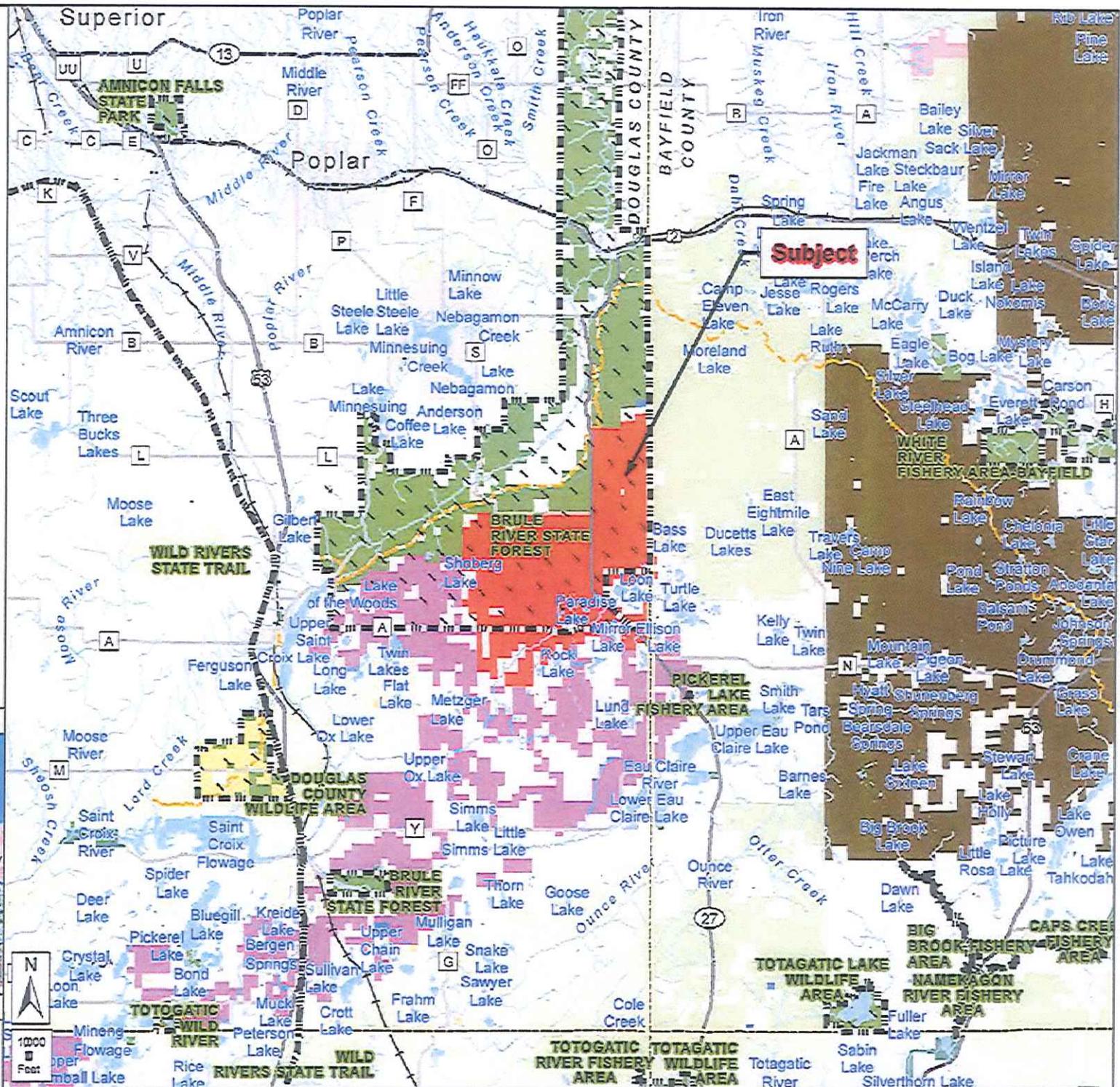
2/11/15
Date

Lyme Timber Company - Easement Forest Legacy Program

21,154.16 GIS Acres Douglas & Bayfield Counties

Subject

- DNR Fee Title
- DNR Easement
- DNR Easement (Closed to Public Access)
- Department Leased Land
- DNR Project Boundary
- North Country Nat'l Scenic Trail
- U.S. Fish & Wildlife Service
- County Forest
- Tribal Land
- Board of Commissioners of Public Lands
- National Park Service
- National Forest
- Recreation Trail



Regional View



★ Location of Property

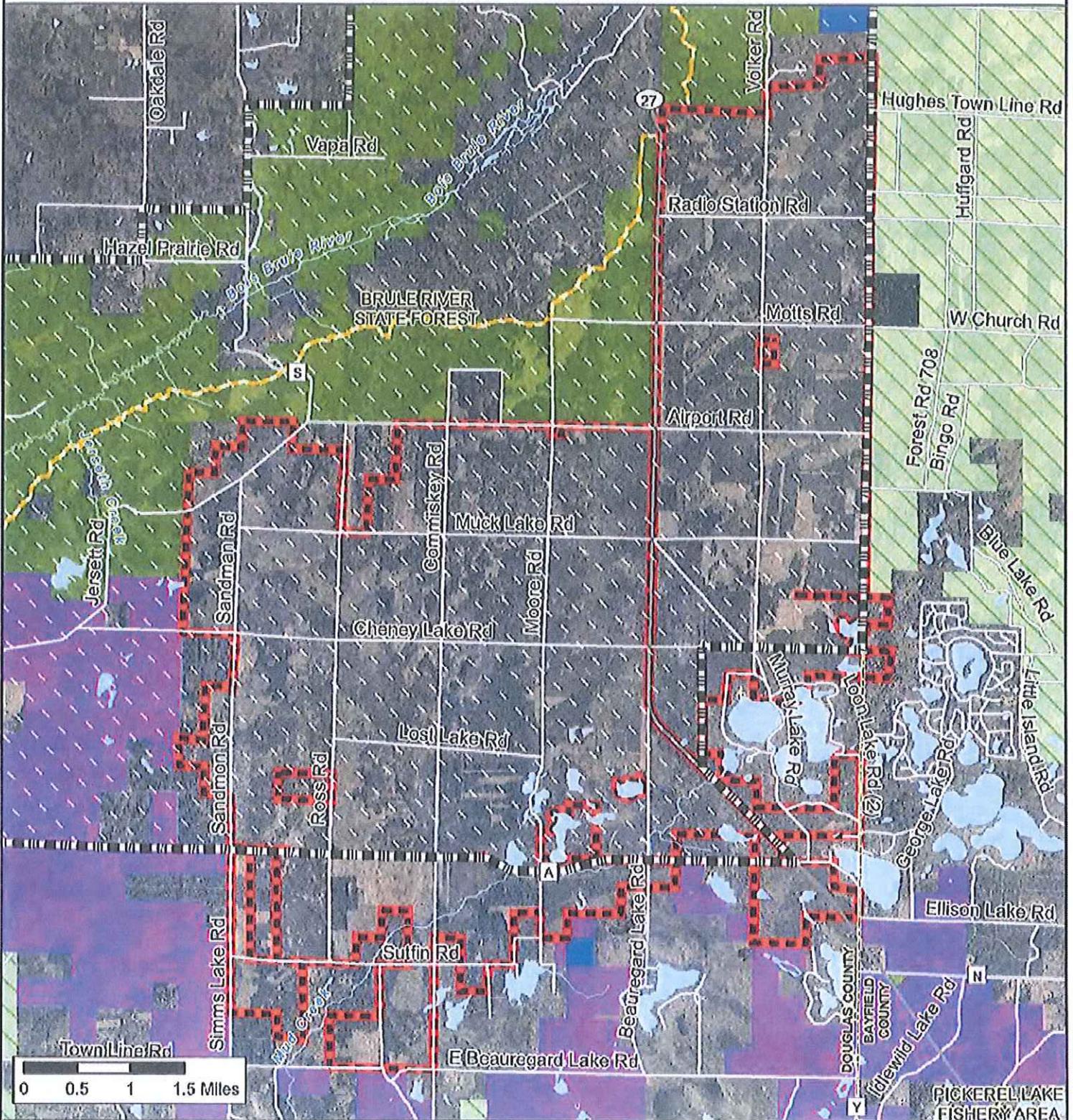
WISCONSIN DEPARTMENT OF NATURAL RESOURCES
Bureau of Facilities of Lands
Map Created: Apr 21, 2014 kmh



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Lyme Timber Company - Easement

Douglas & Bayfield Counties

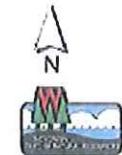


Forest Legacy Program



Subject

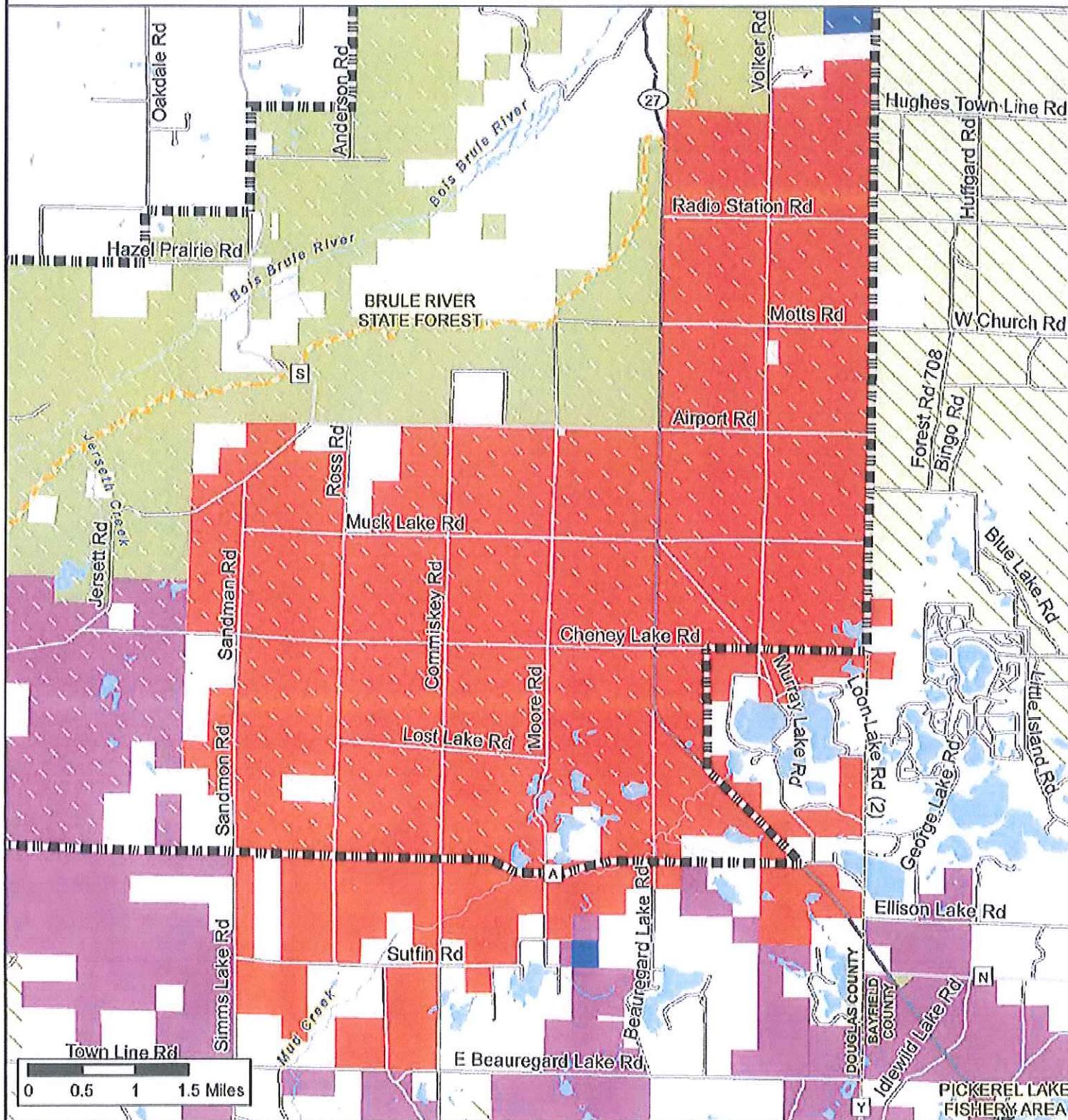
-  DNR Fee Title Land
-  County Forest
-  WDNR Easement (Closed to Public Access)
-  Board of Commissioners of Public Lands
-  DNR Project Boundary
-  North Country National Scenic Trail



Apr 28, 2014 kmh
 Real Estate Section
 Bureau of Facilities and Lands

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Lyme Timber Company - Easement



Forest Legacy Program

Subject

- DNR Fee Title Land
- County Forest
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- Board of Commissioners of Public Lands
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- North Country National Scenic Trail

Apr 21, 2014 kmh
 Real Estate Section
 Bureau of Facilities and Lands

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