



## Legislative Fiscal Bureau

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January 16, 2020

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Natural Resources: Stewardship Grant for The Nature Conservancy (Crooked Creek Project) -- Agenda Item IV

### REQUEST

On May 30, 2018, the Department of Natural Resources (DNR) requested approval under s. 23.0917(6m) of the statutes to provide a grant of \$406,800 from the land acquisition subprogram of the Warren Knowles-Gaylord Nelson Stewardship program to The Nature Conservancy (TNC) for the acquisition of 106.84 acres in the Town of Troy, Walworth County. The request was made for obligating fiscal year 2017-18 funds. Notice of an objection to the grant was made on June 19, 2018.

### BACKGROUND

#### **Stewardship Grants to Nonprofit Conservation Organizations (NCOs)**

Nonprofit conservation organizations, or NCOs, may apply for funding under the Knowles-Nelson Stewardship program for the acquisition of property for conservation purposes. Under the land acquisition subprogram, DNR currently is required to set aside \$7 million each fiscal year through 2021-22 for grants to NCOs. Grants generally may be for up to 50% of acquisition costs. Lands acquired with NCO grants must be open to public use, except if necessary to protect wild animals, plant communities or other features. NCOs also may apply for stewardship funding under the property development and local assistance subprogram.

#### **Crooked Creek Property**

DNR would award TNC \$406,800 as a matching grant from the land acquisition subprogram to assist with the cost of acquiring the former Chapman Hills Girl Scout Camp, covering 106.84 acres in the Town of Troy, Walworth County, from the Girl Scouts of Northern Illinois (GSNIL). The proposed grant represents 50% of the eligible cost of the project, which includes \$800,000 for

the appraised value of the land and \$13,423 in other eligible transaction costs. It should be noted TNC executed an option to acquire the property for \$760,000 and closed on the property in September, 2017, incorporating it into TNC's existing Crooked Creek Preserve.

The property is on hilly, wooded land, with 250 feet of stream frontage, a sizeable wetland area in the Mukwonago River watershed, a kettle pond, and other terrain characteristic of the Kettle Moraine landscape. The property has been used as a summer camp, although TNC reports tent platforms and other camping structures have been removed; a lodge and storage facility remain on the property. The area is zoned as an Upland Resource Conservation District. This designation, aimed at preserving scenic topography and "possible parks and recreation areas," limits development to scattered single-family homes and farming and related uses. Lot sizes must be a minimum of five acres in total area and 300 feet in width.

The property is adjacent to two parcels owned by TNC and forms a 290-acre contiguous conservation area. Public access to the parcel is provided by Scout Road, which runs adjacent to over 2,500 feet of the property. If approved, the property would be open to all public recreation activities, including trapping, hunting, and hiking, subject to state regulations. TNC reports it has established a public parking area and opened the property for public use, and staff have begun creating trails to certain features on the property since acquiring it, consistent with the management plan for the property. DNR reports it has made acquiring public recreation land near heavily populated areas of the state a priority. The GSNIL property is about 20 miles from Waukesha, and is less than 50 miles from Janesville, Racine and Milwaukee.

## **ANALYSIS**

For the purpose of receiving a stewardship grant, TNC and DNR sought two appraisals on the property. Both appraisals used a cost comparison approach to estimate the value of the property. Under this approach, an appraiser looks at the selling price of properties with similar characteristics to determine what the market value of a property may be. Appraisals noted that the "highest best use" of the parcel would be to subdivide the tract into smaller lots. The appraisal commissioned by DNR estimated the market value of the property at \$820,000; the appraisal commissioned by TNC estimated the market value of the property at \$800,000. DNR approved the lower value (\$800,000) to set the eligible cost for the project. DNR's appraisal notes that the \$760,000 purchase price, or \$7,113 per acre, may be considered the low end of the market range.

In general, stewardship program rules define acquisition costs as the fair market value of a property, as determined by an approved appraisal. If the sale price on a property is lower than the accepted appraised value, the difference is considered a donation from the seller. Therefore, the \$40,000 difference between the appraised value and the sale price for the Crooked Creek project has been considered a donation and part of the sponsor match.

The Committee could consider approving the grant based on the approved appraised value of \$800,000, plus eligible costs, for a total grant of \$406,800 [Alternative 1]. Alternatively, the Committee could consider awarding a grant based on the \$760,000 purchase price of the property, plus eligible costs [Alternative 2]. This would reduce the grant award by \$20,000 from the amount initially awarded by DNR, for a total grant of \$386,800.

As noted above, TNC executed an option to acquire the property in September, 2017. To finance the purchase, TNC received an internal bridge loan, on which it is incurring interest. TNC intends to use the stewardship grant to repay the principal on the internal loan. TNC reports that it is currently managing the property according to the land management plan submitted to DNR with its grant application and the property is open to public access for all nature-based outdoor activities. The Committee could consider denying the request [Alternative 3]. Under this alternative, TNC would continue to own the property but would not be subject to public access requirements.

When the request was submitted in May, 2018, DNR indicated the grant was to utilize fiscal year 2017-18 funds. However, the 2017-18 fiscal year has ended and the accounting for the year has closed. Alternatives 1 and 2 would direct DNR to allocate 2019-20 bonding authority for the project.

## **ALTERNATIVES**

1. Approve the Department of Natural Resources request to provide a Knowles-Nelson Stewardship grant of \$406,800 to The Nature Conservancy for the purchase of 106.84 acres in the Town of Troy, Walworth County. Specify funding is to be obligated using the 2019-20 fiscal year allocation for NCO grants.
2. Approve the DNR request, but provide up to \$386,800 from the 2019-20 fiscal year NCO grant allocation, to reflect the sponsor's \$760,000 purchase price, plus allowable transaction costs.
3. Deny the request.

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