

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:

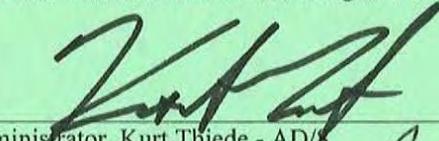
No Fiscal Estimate Required
No Environmental Assessment of Impact Statement Required
No Background Memo

Yes Attached
Yes Attached
Yes Attached

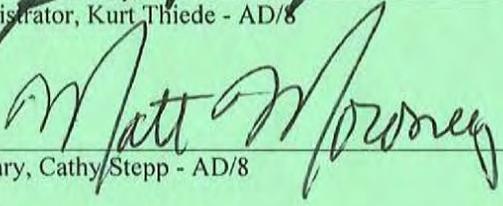
APPROVED:


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 - FR/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

I. 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.

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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:



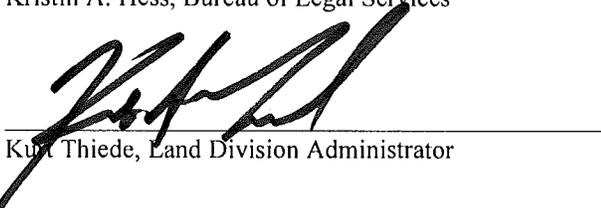
Douglas J Haag, Deputy Director, Bureau of Facilities and Lands

2-11-2015
Date



Kristin A. Hess, Bureau of Legal Services

2/11/15
Date



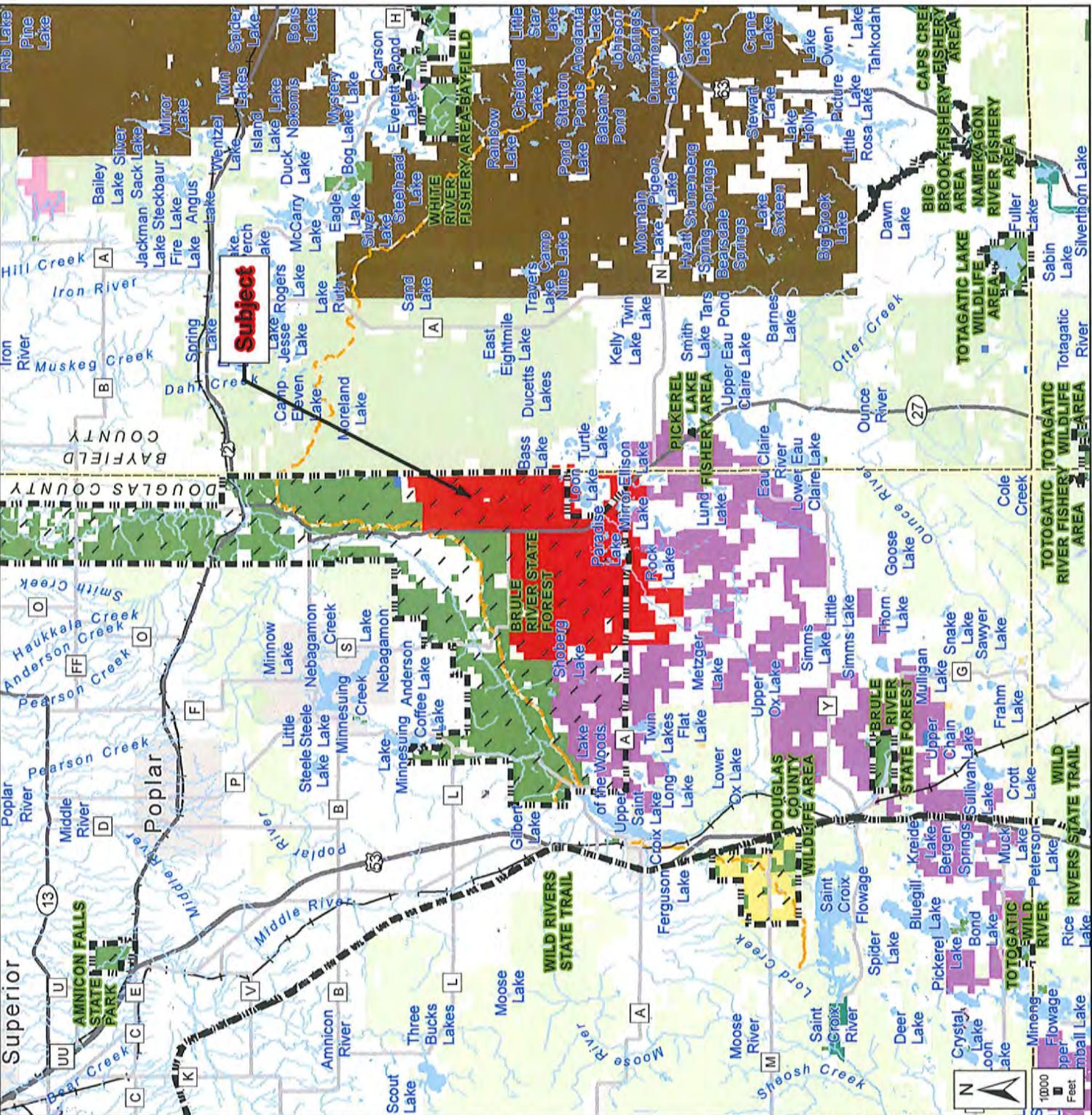
Kurt Thiede, Land Division Administrator

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

**WISCONSIN DEPARTMENT
OF NATURAL RESOURCES
Bureau of Facilities of Lands**

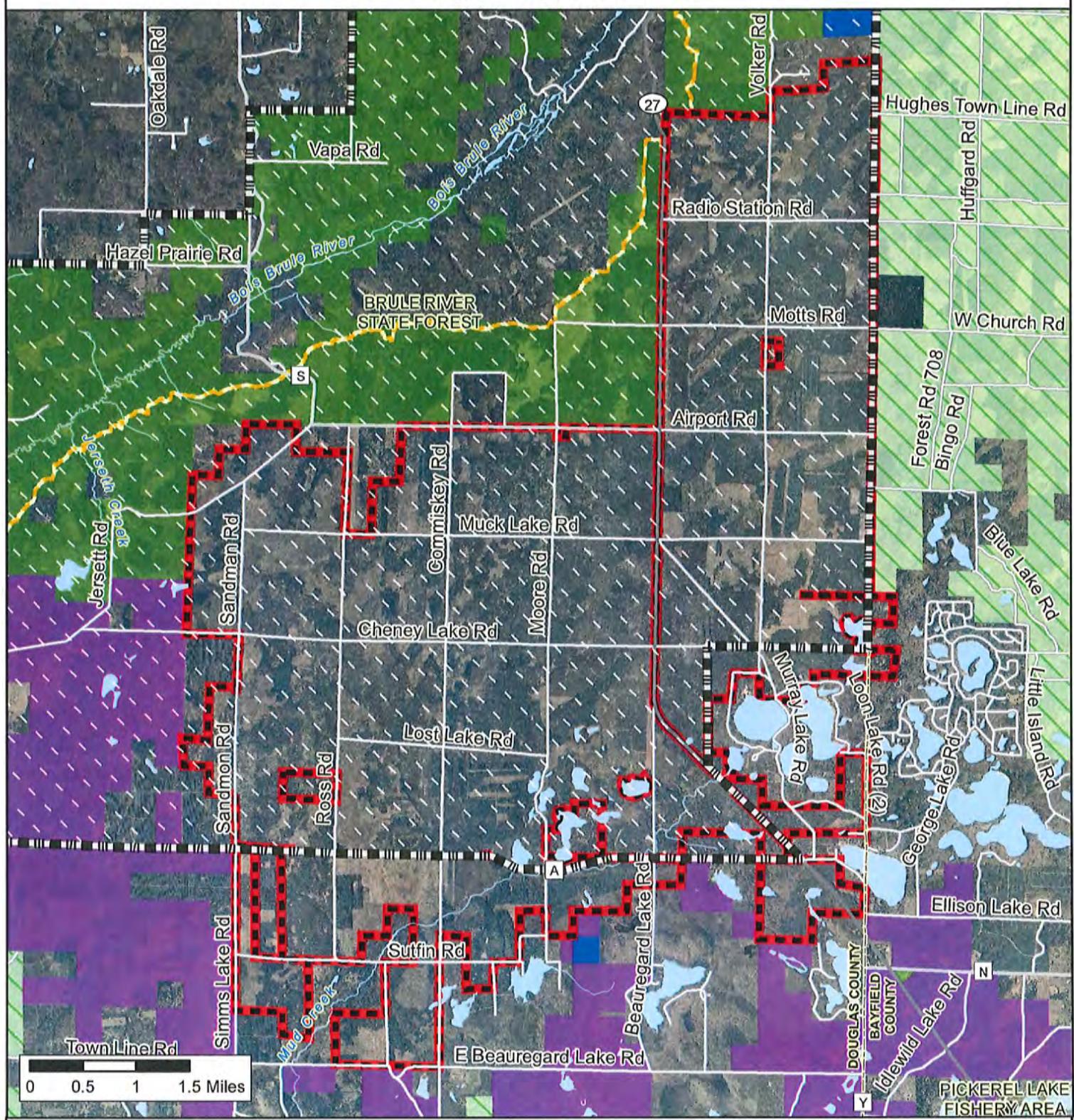
Map Created: Apr 21, 2014 kmh

Location of Property

The data shown on this map have been obtained from various sources, and are of varying age, reliability and resolution. This map is not intended to be used for navigation, nor is this map an authoritative source of information about legal land ownership or public access. Users of this map should confirm the ownership of land through other means in order to avoid trespassing. No warranty, expressed or implied, is made regarding accuracy, completeness, or legality of the information depicted on this map.

Lyme Timber Company - Easement

Douglas & Bayfield Counties



Forest Legacy Program

 Subject

 DNR Fee Title Land

 County Forest

 Board of Commissioners of Public Lands

 North Country National Scenic Trail

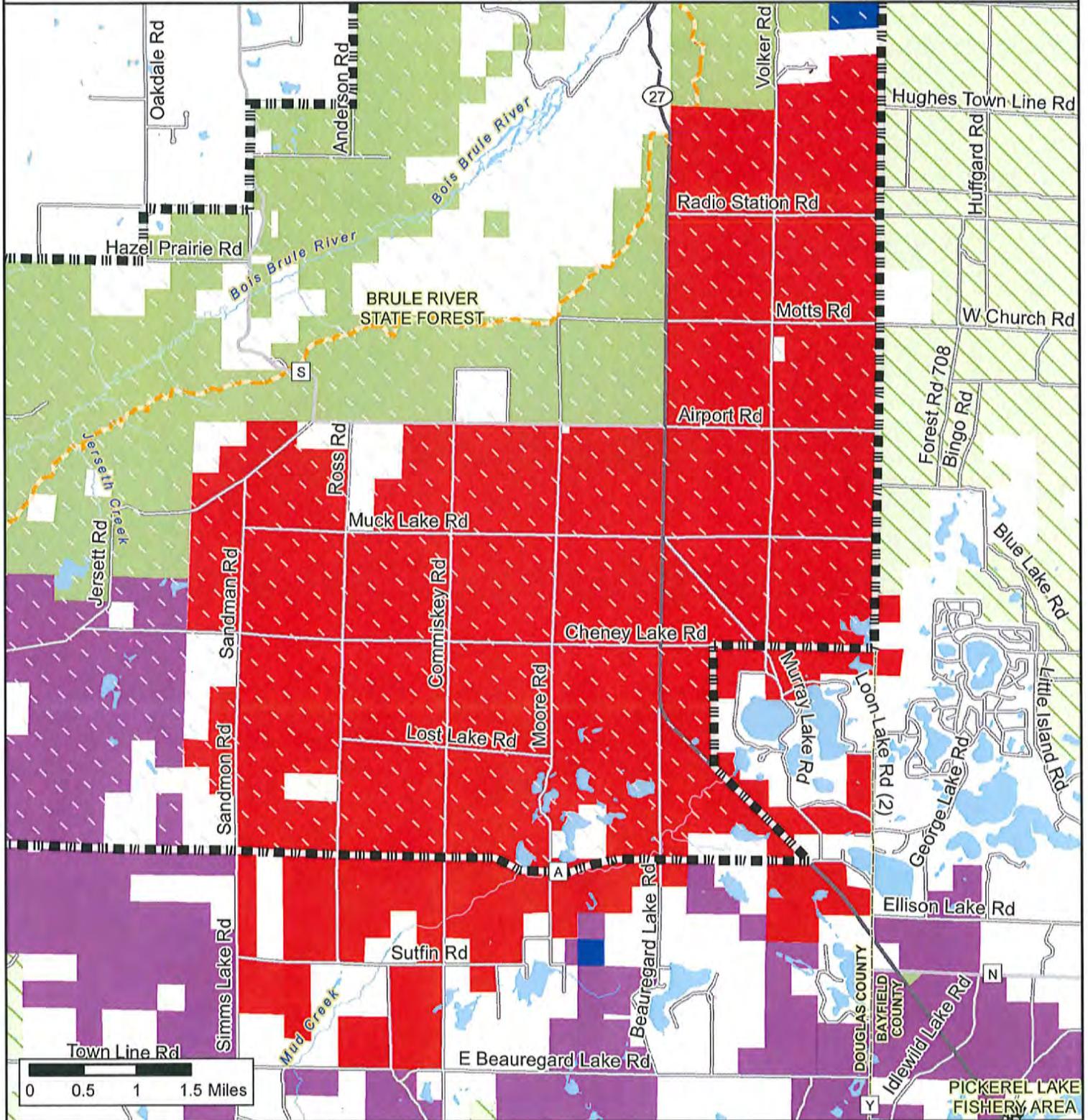


Apr 28, 2014 kmh

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



Apr 21, 2014 kmh
 Real Estate Section
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