Form 1100-1
Rev. 5-91

NATURAL RESOURCES BOARD AGENDA ITEM

Item No. 3.B.7

SUBJECT: LAND ACQUSITION AND PROJECT BOUNDARY MODIFICATION - WILLOW FLOWAGE SCENIC WATERS AREA - ONEIDA COUNTY

FOR: FEBRUARY 2008 BOARD MEETING

TO BE PRESENTED BY: Richard Steffes

SUMMARY: The Department has obtained an option to acquire 1,546.3 acres of land for $4,000,000 from Potlatch Forest Holdings, Inc. The land has 39,225 feet of frontage on the Tomahawk River and is located in Oneida County. This acquisition will be funded in part by a USDA Forest Legacy grant in the amount of $1,972,000, leaving a net cost of $2,028, 000 from the Stewardship fund. The item is being submitted because approximately 715 acres of the land in the transaction are currently outside of the boundary of the Willow Flowage Scenic Water Area. A Feasibility Study and Environmental Assessment of the boundary expansion area were completed in December of 2006 and included a public comment period in the summer of 2007. Feedback was minimal, but entirely positive in favor of the project expansion.

The Department's feasibility study addressed the need to protect a 15-mile stretch of the Tomahawk River from the flowage downstream to just north of Lake Nokomis. The river is largely undeveloped; about 1/3 of the frontage is already in pubic ownership. It is an important wildlife corridor, has a natural appearance and its potential for hunting and river use is excellent. With this purchase, there will be land protection on at least one bank frontage for almost the entire river corridor.

The 1,546.3-acre Potlatch tract includes over 7.4 miles of frontage along the Tomahawk River. The river area is very scenic and will protect a significant portion of the corridor from the Willow Flowage to Lake Nokomis. While currently largely industrial forest, this stretch of the Tomahawk River is increasingly being developed for residential use, changing the wild character of the area. About 27 acres in this transaction are also being purchased to connect segments of the Bearskin Trail.

Funding for this transaction consists of $1,972,000 in federal Forest Legacy money and $2,028,000 in state Stewardship funding from the FY 09 allocation. The federal Forest Legacy Program has a goal of protecting forestland and this money was set aside sometime ago for this ownership. Due to other obligations, most of the Department's FY 08 Stewardship has been used or encumbered. Therefore, in order to accomplish this transaction, the Department is requesting that the Board determine that current funding is insufficient for the proposal, that the project covers a large area and is uniquely valuable for conservation and that delay of the cost is not reasonably possible. There is a concern that the state will lose the federal funding if not used in the near future.

Acquisition of the Potlatch tract will protect the natural resources along the Tomahawk River and provide public recreation for future generations as part of the Willow Flowage Scenic Waters Area.

RECOMMENDATION: That the Board approve use of fiscal year 2009 funds for the project and approve the purchase of 1,546.3 acres of land from Potlatch Forest Holdings, Inc. for $4,000,000 as well as expansion of the project boundary to include a total increase of 3,080 acres for the Willow Flowage Scenic Water Area.

LIST OF ATTACHED MATERIALS:

No ☒	Fiscal Estimate Required	Yes ☐	Attached
No ☒	Environmental Assessment of Impact Statement Required	Yes ☐	Attached
No ☐	Background Memo	Yes ☒	Attached

APPROVED:

Real Estate Director, Richard E. Steffes - LF/6 — Date

Administrator, Laurie Osterndorf - AD/5 — Date 2/4/08

Secretary, Matthew Frank - AD/5 — Date

cc: S. Miller – LF/6
R. Steffes – LF/6
L. Ross – LF/5
P. DeLong – AD/5
J. Gozdzialski – NOR/Spooner

CORRESPONDENCE/MEMORANDUM

State of Wisconsin

DATE: February 4, 2008 FILE REF: WR-625

TO: Governor Doyle

FROM: Matthew J. Frank

SUBJECT: Proposed Land Acquisition, Potlatch Forest Holdings, Inc. Tract, File # WR-625, Approval is Requested by March 10, 2008. Seller requires a closing on or before March 12, 2008

1. PARCEL DESCRIPTION:

Willow Flowage Scenic Waters Area
Oneida County

GRANTOR:

Potlatch Forest Holdings, Inc.
c/o Shawn Sonnarborg
P.O. Box 504
Cloquet, MN 55720

Acres: 1,546.30
Price: $4,000,000
Appraised Value: $4,027,000; $3,691,000
Improvements: None
Interest: Fee
Location: The tracts are located in West-central Oneida County about 12 to 18 miles south of Minocqua.
Land Description: The subject tracts are mostly level to gently rolling lands.

Comments: Local tax records indicate a size of about 1,520 acres. An additional 17.5 acres were added to the agreement for a trail connection bringing the acreage total to 1,546.30. The purchase price of $4,000,000 was the best price that could be negotiated for this transaction.

Covertype Breakdown:

Type	Acreage
Upland Woods	977.70
Lowland Woods	242.29
Wetlands/Swamp	79.42
Brush land	236.89
Road Right-of-Way	10.00
TOTAL	1,546.30

Zoning: Forestry, Residential and Agriculture
Present Use: Timber Production
Proposed Use: River Resource Management and Public Recreation
Tenure: One Year; purchased in January of 2007 as part of a 76,315-acre transaction.
Property Taxes: $1,842 (MFL/FCL)
Agreement Date: January 18, 2008
Stewardship Land Access: As part of the 07-09 Biennial Budget, Stewardship land access was emphasized. This land will be open for all nature-based outdoor recreation activities, including hunting, fishing and trapping. Its pristine shorelines also provide an important wildlife corridor with eagle and osprey nesting sites.

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2. JUSTIFICATION:

The Department proposes to acquire 1,546.3 acres of land in Oneida County for the Willow Flowage Scenic Waters project. This acquisition will be funded in part by a USDA Forest Legacy grant in the amount of $1,972,000, leaving a cost of $2,028, 000 from the Stewardship program. Approximately 715 acres of the land in the transaction are currently outside of the boundary of the Willow Flowage Scenic Water Area. A Feasibility Study and Environmental Assessment of the expansion area was completed in December of 2006 with a public comment period in the summer of 2007. Feedback was minimal, but entirely positive in favor of the project expansion. Department ownership will provide opportunities for public recreation, consolidate state ownership and protect scenic and natural resources including over 7.4 miles of frontage along each bank of the Tomahawk River.

The over seven miles of river frontage lands are very scenic and acquisition will protect a significant portion of the corridor from the Willow Flowage to Lake Nokomis, which is mostly undeveloped. While currently largely industrial forest, this stretch of the Tomahawk River is increasingly being developed for residential use thus changing the wild character of the area. In addition, 27 acres in this transaction will connect segments of the Bearskin State Trail and are also considered within the boundary of the proposed Willow Flowage expansion.

The Willow Flowage Scenic Waters project, located in Oneida County 15 miles southwest of Minocqua, was established in 1997 to perpetuate the wild and undeveloped character of the Willow Flowage and to preserve the scenic beauty, and natural resources and heritage for future generations. The flowage is nearly undeveloped and has a wilderness character over much of its area. It is famous for its scenic qualities, natural character, wilderness setting, and fishing opportunities. The project is managed to enhance the musky and walleye fishery, to protect the water quality of the flowage and to provide for natural-type public recreational and educational uses such as fishing, hunting, hiking and trapping.

The flowage was created in 1926 when a dam was constructed on the Tomahawk River downstream of its confluence with the Willow River. The flowage is used to provide a constant flow of water for power production downstream. Of the 77 miles of total frontage, about 3.6 miles are in private ownership that includes three resorts, two campgrounds, a few private cabins, a boat tour company, and a general store. The vast majority of the flowage is undeveloped. The flowage has a maximum depth of 22 feet. While depth and surface areas vary seasonally, wildlife and the fishery flourish. The fishery is primarily northern pike, muskellunge, and walleye. There are smaller populations of smallmouth bass and perch. The flowage has significant populations of eagles, osprey and common loons. There are six existing boat landings located on the flowage and a number of primitive campsites.

A Feasibility Study and Environmental Assessment was drafted in 2006 and reviewed and certified last summer. It studied expanding the project by 3,080 acres along the Tomahawk River corridor and managing the area using the goals of the existing Willow Flowage Scenic Waters Area Master Plan. The study emphasizes preserving the character of the expansion area by maintaining the undeveloped, feeling of remoteness and solitude, and its natural appearance. The study also considered the substantial rate of residential development occurring in Oneida County along rivers and lakes and the priority to protect these natural resource corridors for wildlife, water quality, and public recreation. Lastly, the study considered the other blocks of land in the proximity, which belong to the public, specifically Oneida County, Board of Commissioners of Public Lands (BCPL), and the Department. About 1/3 of the riverfront is already protected.

The Potlatch property is primarily forested with a variety of species and sizes of trees, including aspen, jack pine, swamp conifer and northern hardwoods. There are also areas of lowland brush, marsh or wetland, and a few acres of woods roads. The Potlatch tracts include several blocks of land in the Towns of Nokomis, Little Rice, and Cassian all of which are currently enrolled in the Managed Forest Tax Law Program or the Forest Crop Program. The 1,546.30 acres were purchased in January 2007 by Potlatch from Tomahawk Timberland as part of a 76,315- acre purchase for about 65 million dollars. About 46% of that land was covered by a forest legacy easement. This stretch of waterfront land is currently not protected and potentially developable.

The Department recommends acquisition of the Potlatch Forest Holdings, Inc. property to provide opportunities for many recreational pursuits, to secure large blocks of land for conservation and management of natural resources and scenic areas and to connect with existing public lands. Department ownership of the Potlatch property will connect with existing state-owned land and provide blocking for better management and administration. In addition, acquisition will protect the land from development and provide a large acreage along the Tomahawk River for public recreation, especially hunting, fishing and trail use.

3. FINANCING:

USDA (Forest Service)-Forest Legacy and FY 09 State Stewardship funds are anticipated:

*Stewardship Funds allotted to program: $3,750,000	Stewardship Balance after proposed transaction: $6,519
Forest Legacy Funds allotted to program: $1,972,000	Forest Legacy Balance after proposed transaction: $0

*Comment: With NRB approval, the Department will borrow ahead $2,000,000 from FY 09 Stewardship funding. Added to existing FY 08 funding, $3,750,000 is the total allocation for this category of land acquisition.

4. ACQUISITION STATUS OF THE WILLOW FLOWAGE SCENIC WATERS AREA:

Established: 1997
Acres Purchased to Date: 16,324.74
Acquisition Goal: 34,804.0 Acres*
Percent Complete: 46.9%
Cost to Date: $15,733,251

*Comment: The goal will be increased 3,080 acres after Board approval.

5a. APPRAISALS - POTLATCH PROPERTY:

Appraiser: Steigerwaldt Appraisal Services - (Private Appraiser)
Valuation Date: September 5, 2007
Appraised Value: $3,639,000
Highest and Best Use: Recreation and Limited Larger parcel residential
Allocation of Values:
a. land: 1,582.21 acres @ $2,300 per acre: $3,639,000 (Rounded)
b. market data approach used, five comparable sales cited
c. adjusted value range: $1,834.53 to $2,543.50 per acre

Appraisal Review: Richard Steffes - February 3, 2008

5b. APPRAISAL - POTLATCH PROPERTY:
Appraiser: Michael Augustyn - (Private Appraiser)
Valuation Date: January 7, 2008
Appraised Value: $3,975,000
Highest and Best Use: Recreation with limited rural residential use.

Allocation of Values:

a. land: 1,528.71 acres @ $2,600 per acre: $3,975,000 (Rounded)
b. market data approach used, five comparable sales cited
c. adjusted value range: $2,115 to $2,689 per acre

Appraisal Review: Richard Steffes - February 3, 2008

Comment: The Steigerwaldt appraisal recognized tax acreage of the land being appraised as 1,520.3 acres. However, he then used 1,582.21 acres based on his analysis of aerial photos and other tools. Calculating acreages was difficult due to the extensive river front nature of the property. However, the appraisers worked with identical legal descriptions. Late in negotiations, the Department added 17.5 acres to help with connections for the nearby Bearskin State Trail. This parcel was assigned a value of $52,000 ($2,971 per acre) administratively. Combined with Steigerwaldt's and Augustyn's values, total value ranges from $3,691,000 to $4,027,000.

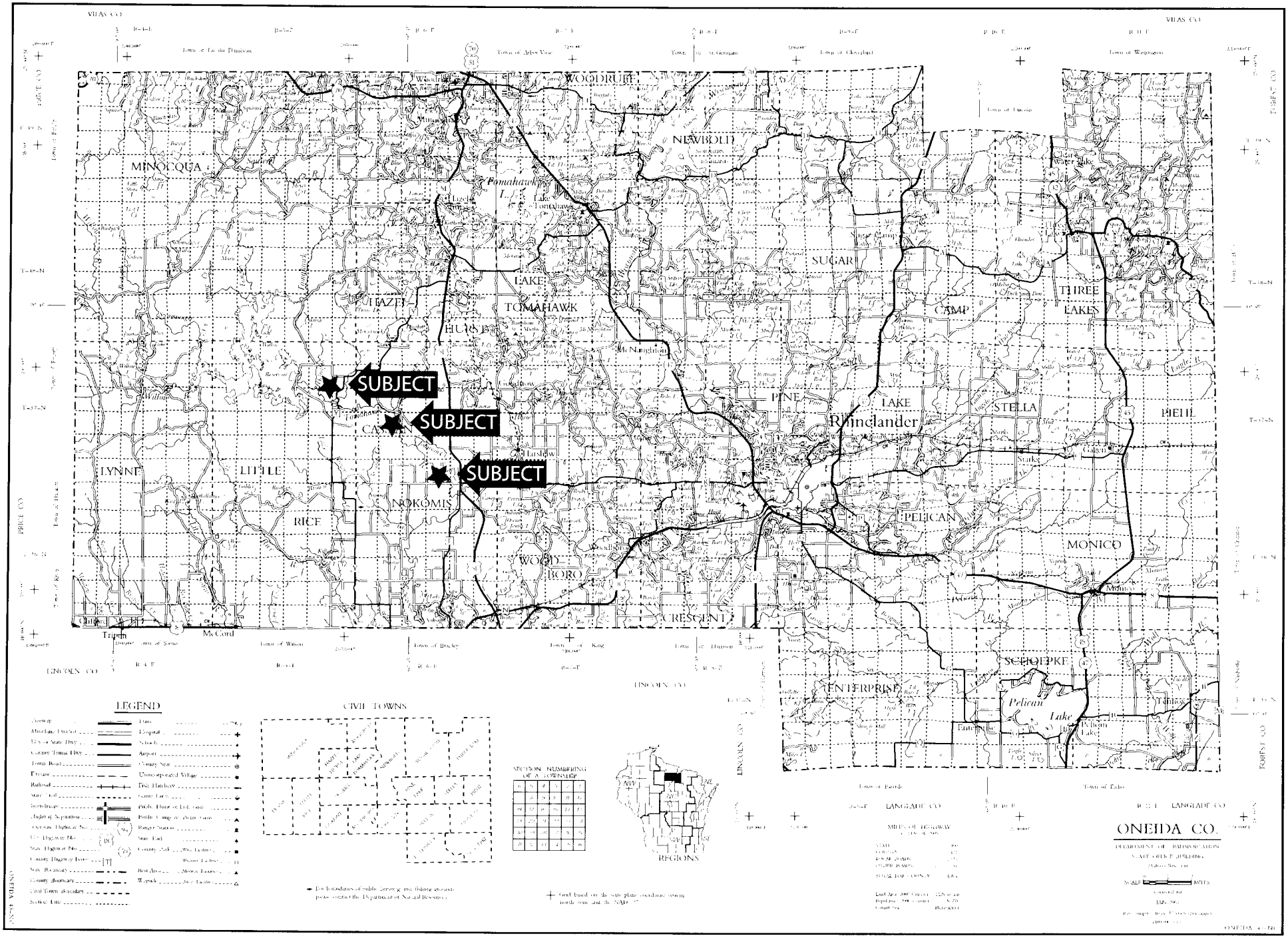
RECOMMENDED:

Richard E. Steffes — Date

Bureau of Legal Services — Date

Laurie Osterndorf — Date

RES:ch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Tripoli
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Town of Arbor Vitae
Town of St. Germain
Town of Cloverland
Town of Washington
Town of Lincoln
Town of Sugar
Town of Wilson
Town of Bradley
Town of King
Town of Harrison
Town of Earth
Town of Eagle
VILAS CO
PRICE CO
FOREST CO
LINCOLN CO
LANGLADE CO
T-48-N
T-37-N
T-36-N
R-4-E
R-5-E
R-6-E
R-7-E
R-8-E
R-9-E
R-10-E
R-11-E
LEGEND
Freeway
Minimum Divided
U.S. or State Hwy
County Trunk Hwy
Town Road
Firetrail
Railroad
State Trail
Interchange
Highway Separation
Overseas Highway No.
U.S. Highway No.
State Highway No.
County Highway Tens
State Boundary
County Boundary
Civil Town Boundary
Section Line
Farm
Hospital
Schools
Airport
County Seat
Unincorporated Village
Fish Hatchery
Game Farm
Public Hunt or Fish Grate
Public Camp or Picnic Grate
Ranger Station
State Park
County Park
Wildlife Lodge
Rest Area
Motion Fisheries
Waysack
Fish Hatchery
CIVIL TOWNS
SECTION NUMBERING OF A TOWNSHIP
REGIONS
MILES OF HIGHWAY
ONEIDA CO.
DEPARTMENT OF TRANSPORTATION
STATE OFFICE BUILDING
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Potlatch Corp Property

Willow Flowage Scenic Waters Area + Expansion

- Subject Property
- Expansion Area
- Expansion with Purchase
- WDNR Owned
- WNDR Eased
- WDNR Leased
- Ice Age Trail
- Project Boundary
- Open Water

0 1 2 Miles

The DNR Managed Lands represent the boundaries of lands managed by the Wisconsin Department of Natural Resources. The Wisconsin DNR manages these lands through ownership, easement or lease rights. This data set is a spatial representation of the Oracle Land Records System maintained by the DNR, Bureau of Facilities and Lands (LF), and may include errors and/or omissions. The data should not be interpreted as a legal representation of legal ownership boundaries.

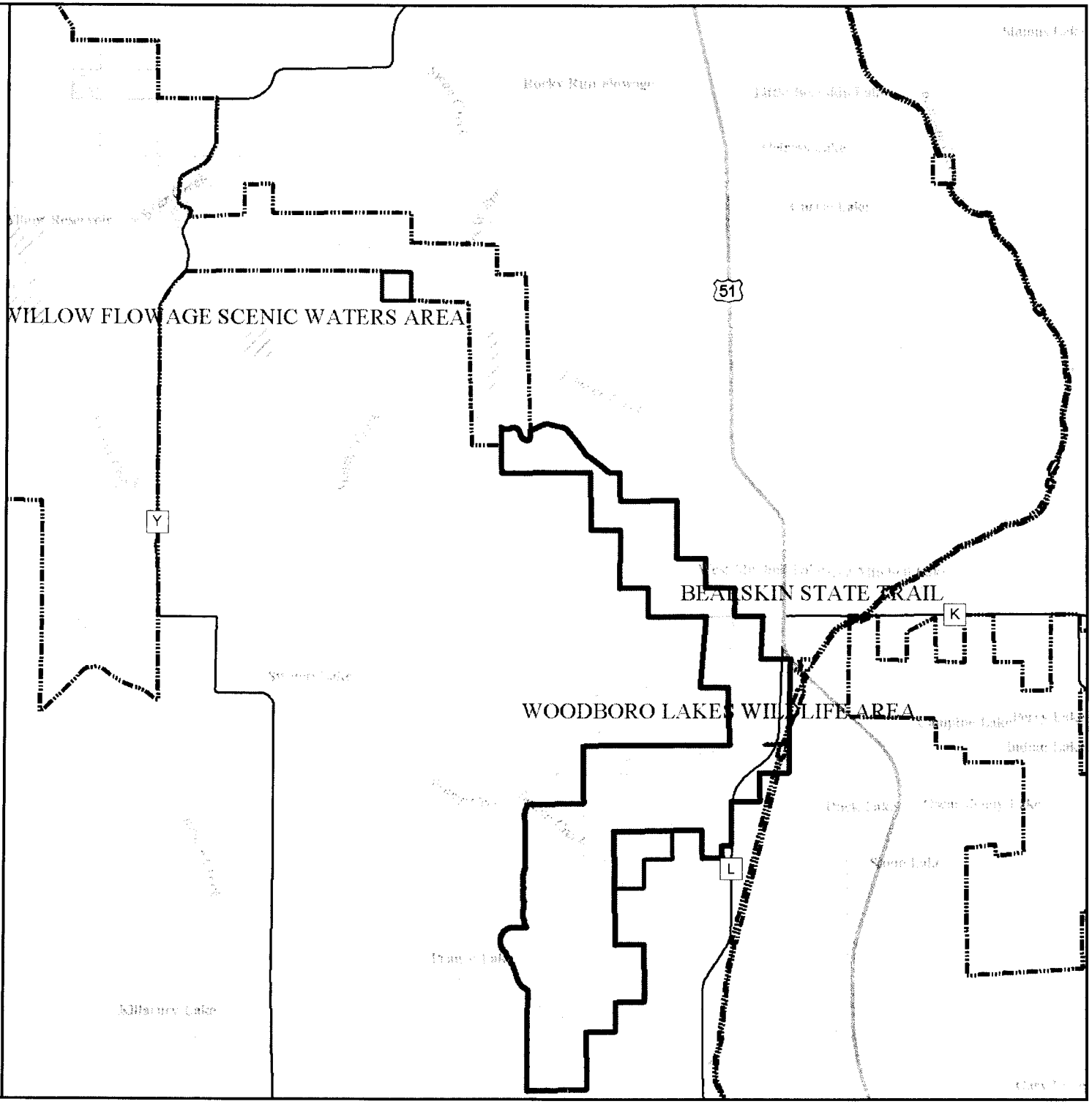
This data set does not differentiate between lands that are open or closed to the public for hunting and/or general public access. Some lands represented in this data set may not be open to the general public, or may have specific limitations or restrictions on public use. This data set is not intended for use as a land management tool; it is a listing of all DNR real estate transactions that have occurred on these lands over time.

For information about the actual management, including public use and public access of the lands, contact the nearest DNR Regional office. Contact information for DNR Regional Offices and Service Centers is provided on the following internet site:

http://www.dnr.state.wi.us/org/caer/cs/servicecenter/locations.htm

Updates to this data set are ongoing, and will be incorporated into future versions when available.

STATE OF WISCONSIN
DEPT. OF NATURAL RESOURCES

Bureau of Facilities and Lands

January 7, 2008