Form 1100-1
Rev. 5-91

NATURAL RESOURCES BOARD AGENDA ITEM

Item No. 3.B.8

SUBJECT: EASEMENT ACQUISITION – FOREST LEGACY PROGRAM – FOREST AND MARINETTE COUNTIES

FOR: FEBRUARY 2008 BOARD MEETING

TO BE PRESENTED BY: Richard Steffes

SUMMARY: In 2005, International Paper Company (IP) announced its decision to sell its entire 6.8 million acre land base in the country. IP's 69,000 acres in Wisconsin was highly valued by the forest industry and environmental communities for its hardwood stands and exceptional natural resources.

The Department desired to have this land protected for the multiple benefits of public outdoor recreation, sustainable forestry economies, water quality and wildlife habitat. The Department's authority for conservation acquisitions fell under the Wild Rivers and Forest Legacy programs. This effort was called the Wild Rivers Legacy Forest. Since it was not affordable for the Department to acquire this land, The Nature Conservancy (TNC) took the lead in negotiations.

Due to the need for confidentiality in dealing with IP's competitive bid offering, the department sought Natural Resources Board authorization for its role via closed session. In an executive session on February 22, 2006, the Board authorized the Department to spend up to 40 million dollars. The final negotiated cost was $39,075,000 for about 5,600 acres of fee title and a conservation easement on about 59,000 acres for the land and easements sought by the state. Subsequently, TNC's offer of about $84 million to purchase the entire 69,000 acres in fee title was accepted by IP. In June of 2006, TNC and a syndicated timber investment management organization, closed with IP as required by their contract. Conservation measures were in place for most of the land, about 64,600 acres. In July of 2006, the Department acquired 5,629 acres in fee title for wild rivers and lake protection and acquired a conservation easement on 44,400 acres. Total state cost at that closing was just under $33,000,000, all Stewardship dollars. To assist with initial costs, TNC purchased, at a cost of $6,187,578, an easement on the separate southern-most block of forestland. This was 14,576 acres south and west of the community of Goodman. TNC's role is that of a third party, interim holder of the easement.

At its April 2006 meeting, the Board approved in open session, the initial phase at a cost of $33,000,000. Further, the Board directed the Department to seek Federal Forest Legacy funding for an additional easement on the 14,576 acres now held by TNC.

At this time, the Department proposes to acquire from TNC the north half of this remaining easement area, 7,260 acres for $3,081,870. This is at TNC's actual cost and will be 74% federally funded. It is anticipated that the Department will acquire the remaining 7,316 acres of easement (the southerly half) next year.

RECOMMENDATION: That the Board reaffirm its earlier approval of the overall Wild Rivers Legacy Forest transaction and approve the purchase of a forest legacy easement on 7,260 acres of land for $3,081,870 for the Forest Legacy Program.

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:

R E Steffes — 1-22-08
Real Estate Director, Richard E. Steffes - LF/6 — Date

Laurie Osterndorf — 1/24/08
Administrator, Laurie Osterndorf - AD/5 — Date

Secretary, Matthew J. Frank - AD/5 — Date

cc: S. Miller – LF/6; R. Steffes – LF/6; L. Ross – AD/5; P. DeLong – AD/5; R. Kazmierczak – NER/Green Bay

CORRESPONDENCE/MEMORANDUM

State of Wisconsin

DATE: January 22, 2008 FILE REF: E-2089

TO: Governor Doyle

FROM: Matthew J. Frank

SUBJECT: Proposed Purchase of a Forest Legacy Easement, File # E-2089, Approval Requested by March 20, 2008

1. PARCEL DESCRIPTION:

Forest Legacy Program
Forest and Marinette Counties

Grantor:

The Nature Conservancy
c/o Mary Jean Huston, Director
633 West Main Street
Madison, WI 53703

Acres: 7,260
Price: $3,081,870
Appraised Value: $3,085,500
Interest: Purchase a Forest Legacy Easement with public access
Improvements: None. No future development is allowable in the easement area.

Location: The tract is located in northeast Wisconsin about 40 miles northwest of the City of Marinette.

Land Description: The subject area is rolling to hilly with a few steeper areas. It is in a heavily forested area that abuts the Nicolet National Forest and county forests.

Covertype Breakdown:

Type	Acres
Wooded Lowland	1,525
Wooded Upland	5,735
TOTAL	7,260

Zoning: Forestry, Conservation
Present Use: Forestry
Proposed Use: Public Recreation, Resource Protection and Sustainable Forestry
Tenure: International Papers acquired in 2000. Lake Superior Land Company, a subsidiary, held most of this land for many years. In 2006, Conservation Forestry Forest Investments Associates bought the land. The Nature Conservancy acquired an easement on the land as a temporary third party. The Department planned to acquire the easement from TNC when federal assistance became available.

Agreement Date: January 2, 2008 and March 28, 2006

Stewardship Land Access: With the recent re-authorization of Stewardship, the state legislature emphasized public access as an important aspect of land protection. In addition to insuring continued and sustainable forestry on this land, the easement also requires it to be open to the public for hunting, fishing, hiking and other outdoor recreation.

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2. JUSTIFICATION:

The purpose of the Forest Legacy Program is to:

- preserve and protect the land for continued sustainable forestry and resource management and to maintain the undeveloped character of the property by precluding buildings, deforestation or any significant topographical change;
- manage the property as part of the underlying landowner's commercial timber harvest base while providing open space;
- provide for the public the right to access the property for public outdoor recreational uses.
- Accomplish these goals permanently and at lower cost than fee title purchase.

In recent years, some of the recreational land with water frontage on this property has been sold by industrial forest companies and the rate of forest fragmentation is increasing in the region. This trend is changing the face of the "Northwoods" so treasured by local people and visitors and could decrease the importance of both the timber and tourism industries in the northern economy.

Public outdoor recreation is an important component of this Forest Legacy Easement. Certain trails and roads on the easement area will be open for access while the entire property will be open for hiking, fishing, hunting, and berry picking. Designated snowmobile trails are allowed in the easement area. Access to the easement lands is via the public road system.

In 2005, International Papers offered its entire land base for sale. This was several million acres nationwide and about 69,000 acres in northeast Wisconsin known as the Goodman Forest.

The "Goodman" Forest refers to undeveloped forest and wetlands in Florence, Forest, and Marinette Counties. Distributed in three large blocks of industrial timberland, it is forested primarily with hemlock, hemlock-hardwood, and northern hardwood stands which have a long history of select cutting. Extensive undisturbed, old growth cedar, hemlock, spruce, and tamarack swamps occur in lowland areas. The property also contains a number of exceptional aquatic resources including a number of wild lakes, large spring ponds, and several miles of undeveloped, free flowing rivers. Several exceptional quality cold-water streams are tributaries to these larger river systems. The "Goodman" tracts are among the few large blocks of contiguous, northern hardwood dominated forest remaining in northern Wisconsin in private ownership.

The Department reached an agreement with a number of parties for this transaction. Because the Department had neither the program need nor funding to purchase the entire International Paper Company ownership in fee title, The Nature Conservancy led negotiation efforts to secure a buyer for the underlying management rights and reached agreement with International Paper Company for purchase of about 69,000 acres. In reaching agreement on the transaction, the Department worked with IP and TNC, as well as two timberland owners, FIA and Conservation Forestry. Of the 69,000 acres, 64,600 acres is being protected and kept open to the public and in forestry. The remaining 4,400 acres are primarily scattered land some distance from the main blocks of land. That land is not included in this land protection project.

On July 6, 2006, the Department acquired fee title ownership of 5,629 acres of land for the Pine-Popple Wild Rivers project, protecting nine miles of river. Several lakes also were also included. In addition, the Department purchased a forest legacy easement on about 44,400 acres in Florence, Forest and Marinette Counties. Cost was $33,000,000, all state funding. The Nature Conservancy acquired an easement on the remaining 14,576 acres at a cost of $6,187,578 ($424.50 per acre). TNC is considered a third party interim holder of the easement. This agreement resulted in an opportunity to decrease the initial cost of the conservation effort and allow time for the Department to seek federal financial assistance. The Department agreed to "buy back" the easement from TNC at their cost.

In a recent federal appropriation bill, the Federal Forest Legacy Program allotted $2,270,000 to this project. Combined with state Stewardship dollars, the Department will now acquire one-half of TNC's easement at its cost. The portion being acquired by the Department is shown on the attached map (the north half). The Department plans to acquire TNC's remaining 7,316 acres of easement (the south half) next year with the next cycle of federal Forest Legacy funds. Stewardship funds will be needed to the extent that federal dollars are not available.

In February of 2006, the Natural Resources Board was briefed on the project in Executive Session. Because the negotiations were highly competitive for this land, it was necessary that the Department's position be confidential. The Board authorized the Department to expend up to $40,000,000 state Stewardship, if necessary.

At its April 2006 meeting, the Board approved the first phase closings as described above at a cost of $33,000,000 and directed the Department to seek federal Forest Legacy funding for just over six million for the 14,576 acres of easement area TNC now holds. The Governor approved the entire amount of the purchase, $39,075,000, on June 27, 2006.

Acquisition of a Forest Legacy easement is recommended to protect and preserve the integrity of these northern forest lands in perpetuity, to prevent forest fragmentation and to promote the sustainable use of the northern forests. The tracts that comprise the easement area are critical in connecting and providing buffers to existing state and other public lands in addition to providing land for public outdoor recreation opportunities. The property included in this easement will be managed as sustainable forestland with many opportunities for public recreation. The land within the easement is important for maintaining ecological values as well as preventing forest fragmentation. It also connects public lands owned by the U.S. Forest Service, the three counties and the Department of Natural Resources. With the Department's 2006 transaction, the Florence County and most of the Forest County portions of the former IP land were protected. The current proposal has 7,060 acres in Marinette County and 200 acres in Forest County.

3. FINANCING:

State Stewardship and Federal Forest Legacy funds are anticipated.

	Funds allotted to program:	Balance after proposed transaction:
Stewardship (Forest Legacy)	$ 850,000	$8,130
Federal Funds	$2,270,000	$0

4. ACQUISITION STATUS OF THE FOREST LEGACY PROGRAM:

Established: 2002
Acres Purchased to Date: 98,239 acres
Acquisition Goal: 112,876 acres
Percent Complete: 80.8%
Cost to Date: $34,505,000

5. APPRAISAL:

Appraiser: Terry Gardon and Dan Heath (staff appraisers)
Valuation Date: November 7, 2005
Appraised Value: $3,085,500
Highest and Best Use: Forestry and recreational subdivision
Allocation of Values:

a. Easement: 7,060 acres @ $425/acre: $3,085,500
b. Twenty-five (25) comparable sales cited, ranging in size from 720 to 390,827 acres.
c. Range of values for the easement: $361 to $566 per acre.

Appraisal Review: Richard Steffes – February 1, 2006

Comments: The Gardon/Heath report was done for a larger acreage including the land currently involved. They estimated a total value of $39,100,000 for 5,610 acres in fee title and 59,024 acres of easements. Their per acre easement value was applied now. The Department also retained Steigerwaldt Land Services, Inc. to analyze this land. Steigerwaldt Land Services estimated the easement value at a range of $400 to $800 per acre.

RECOMMENDED:

Richard E. Steffes — Date: 1-22-08

Bureau of Legal Services — Date: 1-22-08

APPROVED:

Laurie Osterndorf — Date: 1/24/08

TNC Easement

Forest Legacy Program

Subject Property

TNC Easement

WDNR Owned

WNDR Eased

WDNR Leased

Project Boundary

County Forest

National Forest

N
W E
S

Miles
0 2 4

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.

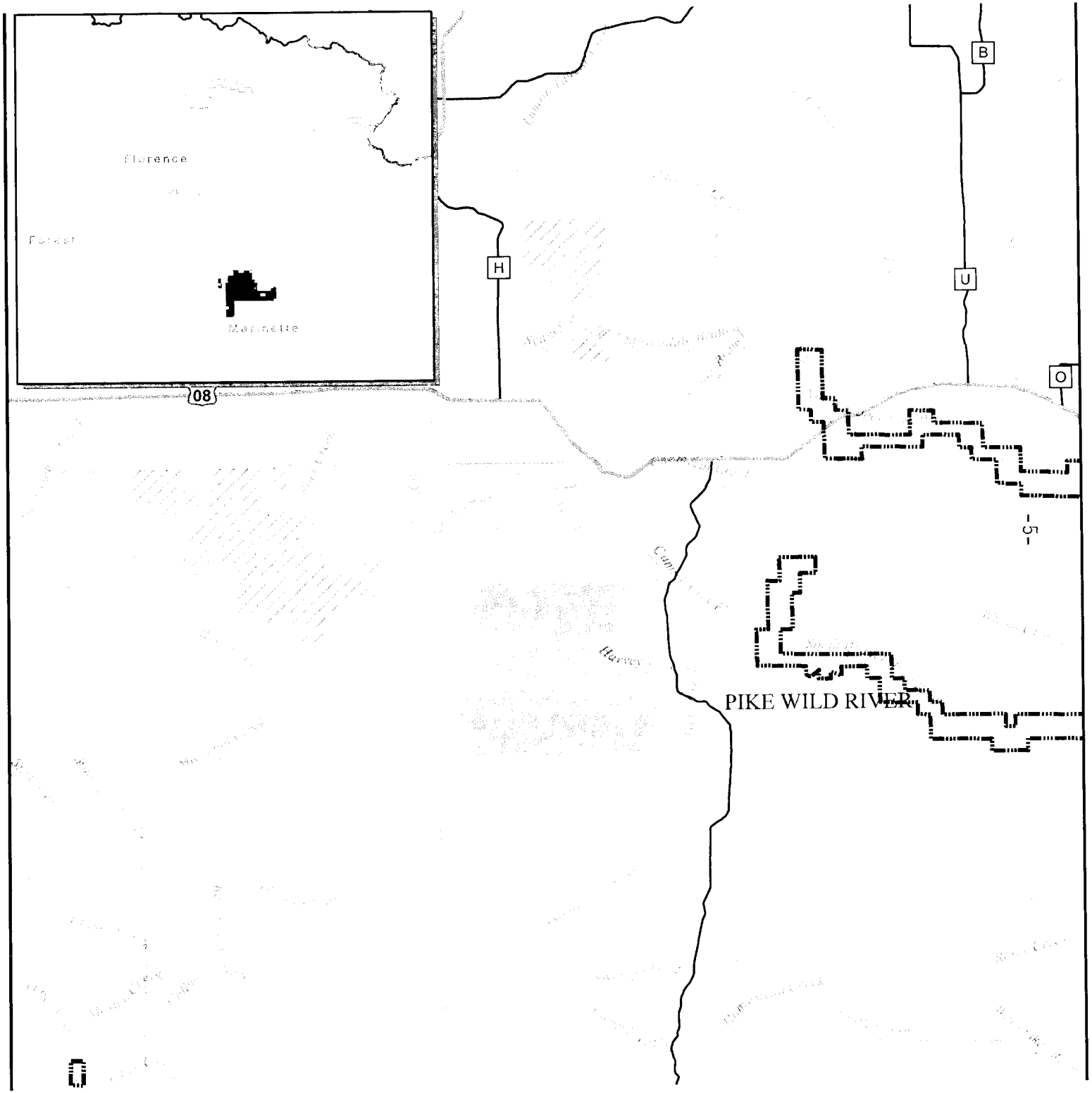
This data set does not differentiate between lands that are open or closed to the public for hunting and/or general public access. Some lands represented in this data set may not be open to the general public, or may have specific limitations or restrictions on public use. This data set is not intended 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