

SURPLUS LAND SALES FOR SCHOOL TRUST LANDS ACCOUNT

THE REVIEW OF THE LANDS

Background

2015 legislation

The school trust lands director, in consultation with the commissioner of natural resources is directed to identify at least \$5 million of state-owned lands for sale. The lands are to not be within a unit of the outdoor recreation system, an administrative site, or trust land. The commissioner of natural resources shall sell at least \$3 million of the identified lands by June 30, 2017. The net proceeds are to be deposited into the school trust lands account and used to extinguish the school trust interest on school trust lands that have public water access sites or old growth forests. (Laws of MN 2015, First Spec. Sess., Chapter 4, Art. 3, Sec. 131.)

2016 legislation

The law was modified to include exchanges of school trust land. The exchanges could use the expedited land exchange procedures (Minn. Stat., sec. 94.3495). The land sale authorization was also broadened to remove restrictions on sale of riparian land and also allow private sales.

The net proceeds received from the sales are now to be split 90% into the school trust lands account and 10% for funding transactional and legal work associated with the BWCAW land exchange and sale projects.

The Initial Sorting of the Lands

The first action taken in response to the 2015 legislation was to sort the Department of Natural Resources' land records to identify the lands that are within the parameters of the new law. An initial run from the DNR's land records identified 43,500 acres as not being within the outdoor recreation system and not trust lands. There were administrative sites included on the list as the land records do not have a specific land classification type by which the administrative sites could be removed from the list through the sort by the computer.

A deputy directors and regional directors team was created to guide the review of the lands. The team discussed the types of parcels on the list. This team identified the following lands to be removed from consideration at this time:

- 1) The 22,561 acres of the lands acquired from Minnesota Power along the St. Louis River and adjoining rivers. While those lands are not yet designated as a unit of the outdoor recreation system, the lands are subject to LAWCON funding restrictions. Federal approval would be needed for the sale of those lands and the LAWCON restriction would need to be moved to newly acquired lands

- 2) The 7,674 acres of Volstead lands acquired from the United States in the early 1960s. These are mostly wetlands and the revenue is currently split 50% to the general fund and 50% to the counties.
- 3) The 3,394 acres proposed for designation as the Centennial State Forest in the 2016 DNR lands bill. Most of these lands were donated to DNR in 2012 by The Nature Conservancy, working with the Forest Legacy Partnership. The donation contains a deed restriction that prohibits sale to anyone other than a government entity or nonprofit conservation entity, with restrictions on use and a reversionary clause if the conditions are not complied with.
- 4) A small group of lands including: water dam sites, a wetland bank project, a wildlife project other parcel, two parcels within a state park boundary but not coded correctly in the land records, as well as parcels less than two acres in size.

Added to the list were parcels identified as miscellaneous forest and administrative sites lands; these parcels are not within a designated state forest. Since the records are not coded as to which ones are miscellaneous sites versus administrative sites, this entire group was added to the list, knowing that there would be further review to sort out the administrative sites.

Regional Review of the Parcels

The regional directors, working with Lands and Minerals staff and regional GIS staff, directed the parcel list review by the regional management teams. The teams reviewed about 15,470 acres. These lands included 5,586 acres of miscellaneous administrative sites forest lands, 2,958 acres of mineral lands (mostly stockpile areas), 1,088 acres of fish management areas, and 635 acres of canoe and boating routes.

The regions completed their reviews and staff compiled the results in one database. The database includes comments on all the parcels. The comments identify the parcels that are administrative sites and thus not meeting the criteria for sale under the 2015 legislation. The database also identifies parcels that cannot be sold by law (e.g., islands acquired from BLM pursuant to a 1990 law) or due to deed restrictions.

Maps were prepared for the parcels identified for sale. Here's a short synopsis and analysis of those parcels:

- Region 1 has identified about 90 acres to sell, and recommends that 85 of those acres be offered to the USFWS as they are within or adjacent to a federal game refuge. The remaining 5 acres is in Kittson County and has been offered at private and public sale several times but remains unsold.
- Region 2, which had the largest amount of parcels on the list, has identified about 318 acres to sell. Some of these parcels are mostly wetland and one or two parcels appear to be within the BWCAW. It appears that six of the parcels, with a total of 195.2 acres, would be most marketable.
- Region 3 has identified about 175 acres to sell, plus the 79 acres of the former Hastings WMA. Some of the parcels are wetland and some are suggested to be conveyed to adjacent

owners or a local unit of government. There appear to be about four parcels, totaling 28.77 acres that would be most marketable, in addition to the Hastings WMA.

- Region 4 has identified about 23 acres to sell, of which 5.25 acres appear to be marketable. 18.04 acres are an embankment area with culvert repair issues, and the local unit of government has already declined to accept the lands at no cost (if legislation was obtained to do so).

The 79 acres of the former Hastings WMA are now valued at \$1.043 million. The recently identified parcels from the regions have not yet been valued.

ACTIONS TAKEN

The results of the analysis and the data gathered were discussed with the school trust director on March 10, 2016. The following week the school trust director subsequently identified the 79 acres at the former Hastings WMA as suitable for sale under the surplus lands law.

The two forties within the former Hastings WMA were offered for sale on June 8, 2016. One forty sold for \$542,150.00.

In addition to the Hastings WMA, three other parcels have sold under the surplus lands law. Total revenues to date to the school trust land account are \$533,539.10. Total revenues to fund BWCAW exchange and sale work are \$48,793.50.

The Lands and Minerals staff also met with the United States Fish and Wildlife Service regarding the parcels identified in Region 1 that lie within the Tamarac National Wildlife Refuge. The USFWS is interested in purchasing some of this land, but has not identified funding or timing for their potential purchase of the state land.

There is a land exchange in process between DNR and St. Louis County that will meet the requirements of the surplus land sale law, with tax forfeited lands being exchanged with school trust lands. The school trust lands total 6,892 acres. The valuation work is nearly completed and a DNR attorney is working with a title company to finalize the title commitment. It is expected that the exchange will be on the agenda for approval at the December 2017 land exchange board meeting.

There are also nine parcels identified under the 2015 legislation that we plan to include in the 2017 fall land sale. The parcels are located in Big Stone, Itasca, Koochiching, Pine, Wabasha and Wright Counties.

2016 Session Laws, Chap. 189, Art. 3, Sec. 43

Sec. 43.

Laws 2015, First Special Session chapter 4, article 4, section 131, is amended to read:

Sec. 131. SURPLUS STATE LAND SALES.

The school trust lands director shall identify, in consultation with the commissioner of natural resources, at least \$5,000,000 in state-owned lands suitable for sale or exchange with school trust lands. The lands identified shall not be within a unit of the outdoor recreation system under Minnesota Statutes, section 86A.05, an administrative site, or trust land. The commissioner shall sell or exchange at least \$3,000,000 worth of lands identified under this section by June 30, 2017. Land exchanged under this section may be exchanged in accordance with Minnesota Statutes, section 94.3495. The value of the surplus land exchanged shall serve as compensation to the permanent school fund as provided under Minnesota Statutes, section 84.027, subdivision 18, paragraph (b). Notwithstanding the restrictions on sale of riparian land and the public sale provisions under Minnesota Statutes, sections 92.45, 94.09, and 94.10, the commissioner may offer the surplus land, including land bordering public water, for public or private sale. Notwithstanding Minnesota Statutes, section 94.16, subdivision 3, or any other law to the contrary, the amount an amount equal to 90 percent of the proceeds from the sale of lands that exceeds the actual expenses of selling the lands must be deposited in the school trust lands account and used to extinguish the school trust interest as provided under Minnesota Statutes, section 92.83, on school trust lands that have public water access sites or old growth forests located on them. Notwithstanding Minnesota Statutes, section 92.83, the remaining ten percent of the proceeds must be used to fund transactional and legal work associated with the Boundary Waters Canoe Area Wilderness land exchange and sale projects under Minnesota Statutes, sections 92.80 and 92.82.

2015 Special Session Laws, Chap. 4, Art. 4, Sec. 131;

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