

NORTHERN COUNTIES LAND USE COORDINATING BOARD
Minutes
Thursday, March 3, 2011
Chisholm, Minnesota

Call to Order: The meeting was called to order at 9:30 a.m. by Vice Chair Commissioner Chris Dahlberg with the following in attendance. (All actions of the Board were supported unanimously unless otherwise indicated.)

All Member Counties Present:

Commissioner Brian Napstad, Aitkin
Commissioner Fritz Sobanja, Cook
Commissioner Brian McBride, Koochiching
Commissioner Rich Sve, Lake
Commissioner Todd Beckel, Lake of the Woods
Commissioner Jack Swanson, Roseau
Commissioner Chris Dahlberg, St. Louis
Commissioner Steve Raukar, St. Louis

Others Present:

Bob Krepps, Land Commissioner, St. Louis County
Craig Engwall, Department of Natural Resources, Grand Rapids
Elanne Palcich, Chisholm resident
Douglas Skrief, NCLUCB Staff

Administrative Actions:

1. Approval of Agenda with the following additions:

- 1) GMAP Roseau (Comm. Swanson - Local)
- 2) Exempted Lands (Comm. Sve - Local)
- 3) Meetings of Rep. Cravaack regarding PolyMet permitting (Mr. Engwall – local)
- 3) House File 401 Taking of lands (Comm. Raukar - State)
- 4) House File 332 (Comm. Sve - State)
- 5) House Resolution 1 (Comm. Sve - Federal)
- 6) Member representation (Comm. Dahlberg - NCLUCB)
m. Swanson s. Sve

2. Approval of Minutes: February 3, 2011 Meeting

m. McBride s. Beckel

3-4. Financial Report and Bills:

The Treasurer referred to the income and expenditures sheets prepared by the Director which reflect a general account balance of \$91,534.42 and a Land Use Conflict Management balance of \$15,005.28. The total accounts balance, after payment of approved expenses of \$783.63, was \$106,534.42. The Treasurer also noted that information regarding the combination of accounts was being provided to the St. Louis County Auditor for an opinion and that the combining of accounts remains a work in progress. The Director added that since his preparation of reports distributed to members that account statements received from St. Louis County reflected the receipt of \$17,500 in dues payments, including an overpayment of \$500 from Lake of the Woods County. Comm. Beckel offered to look into the overpayment. The Director also noted that February invoices reflected in the distributed account sheets had not yet been processed though having been submitted to the St. Louis County Land Department

m. Raukar s. McBride

The Executive Director submitted an invoice for \$799.00 for one month of professional services and expense reimbursement.

m. Sve s. Sobanja

An invoice for annual web site maintenance from North Star Interactive for \$775.90 was distributed. It was noted that with the inclusion of taxes, it was greater than the amount of \$725.99 announced in the agenda.

m. Beckel s. McBride

Correspondence:

1. The Director reported that an invitation was sent to Chairman Mike Hanson of the Joint County Natural Resources Board in invitation to attend the April 7 NCLUCB meeting in Northome. The letter was shared by Commissioner Hanson with his board of which some members expressed ability and interest in attending. Comm. Napstad, a member of both boards, related that discussion at the Joint County meeting reflected an interest in the conceptual attractiveness of joining ranks, including a reduced number of meetings to attend, along with the hurdles of geographic difference and distance.

2. The Director reported that a letter was sent to newly appointed Department of Natural Resources Commissioner Tom Landwehr in congratulations for his appointment and as invitation to a future Board meeting.

Discussion Issues

LOCAL

1. Greater Minnesota Advisory Panel Comm. Swanson distributed a background handout from the Association of Minnesota Counties regarding the creation of a Greater Minnesota advisory panel to provide a quarterly roundtable forum “for all levels of government to discuss and propose ideas and policies to ensure that Greater Minnesota issues are carefully discussed, vetted, and considered before challenging decisions are made or innovative ideas unveiled.” A panel would meet four times annually and include representation from the Governor’s office, House, Senate, counties, cities, schools and townships.

The Governor when in Roseau and Kittson Counties in January said he is interested in involvement of his office and his commissioners, reported Comm. Swanson. A current issue is that the Legislature is more reluctant to join, including Senator Magnus and Rep. Hamilton. Leadership is perhaps concerned with fractionalizing of power bases. Suburbanites would be excluded. A rural group would potentially create a wedge in the two major caucuses. Comm. Swanson urged commissioners, if they are in favor, to talk with their representatives. Locally elected officials would be represented geographically. Face to face meetings of departments and commissioners, schools and cities would ensue.

Comm. Napstad noted that there is a rural caucus in existence that might itself be a fractionalizing entity and that a new panel would be created to represent and educate about northern concerns. At the upcoming AMC Legislative caucus in March, added Comm. Swanson, the Ag and Rural Development Committee, an informational group related to AMC, will have four legislators visiting and the GMAP will be brought up for discussion. The current rural caucus of legislators is an informal and fluid gathering, it was noted. Rural legislators may otherwise sometimes have to take a vote not in the interest of their district; a rural panel might be seen as influencing votes taken according solely to party allegiance. The panel would be geographically balanced and not weighted toward southern counties. The League of Cities has a Coalition of Greater Minnesota Cities.

2. Exempt Land Comm. Sve related that the Lake County Assessor had a request from a nonprofit organization, the Park and Trails Council of Minnesota, for exemption for sixty acres of land it purchased near, but not contiguous to, a state park. The Assessor communicated with other northern assessors and found that there have been similar requests but no collaboration among counties on how to deal with the issue. Nonprofit organizations might well eventually turn purchased land over to the state with no profit made on the land sale. This piecemeal purchasing might have an impact on counties that are heavily publically owned, such as Lake Count with about 84 percent public ownership. Comm. Sve urged discussion with assessors. Relevant questions regarding such sales might be, for example, what is the public agency to which the property will be sold; is there a document of agreement; is there an expected date of sale; is there an agreed purchase price; is there an agreed use; does the sale reduce access; are there any existing easements? One further question is if the sale lessens the burden of government.

Mr. Engwall added that some sales to organizations do result in demands on the state to purchase the parcels. Third party groups, while not profiting in the sale, do end up trying to drive the agenda, creating a difficult situation. If the DNR purchases a parcel from a nonprofit, noted Comm. Beckel, the parcel would be at the lowest rate for PILT. If an entity pays taxes and the DNR purchases it, the PILT is set at the acquired rate. Some organizations do have strategies not to reduce PILT, Mr. Engwall noted. The Nature Conservancy does not seek exemption. Comm. Napstad added that Aitkin County did a study of tax exempt property and found that of a \$3.3 billion taxable property value base, \$857 million was exempt

property – twenty percent of the tax base. Many parcels are unarguably held, and there are restrictions from the Department of Revenue. Todd Holman of the Nature Conservancy has been attending Mississippi Headwaters Board meetings and reported that out of good neighborliness the conservancy does not seek nonprofit tax-exempt status for land purchased – and perhaps because of PILT. Comm. Beckel noted that Lake of the Woods has paid taxes on land that would be transferred to the state in order to secure PILT. Comm. Swanson asked if the Nature Conservancy has a conversation with a county before a land purchase. Mr. Engwall reported a mix resulting from different levels of strategic planning of organizations and the state. The DNR does not automatically purchase offered parcels. PILT varies according to management and the sequence of purchase, reminded Comm. Beckel. Comm. Sve again argued for conversation with assessors about purchase of land by nonprofits that in turn ask for exempt status for the land. There might be some consistency among counties established regarding public benefit and use, argued Comm. Napstad.

3. Congressman Cravaack Meets with Permitting Organizations Mr. Engwall noted that a roundtable meeting not open to the public was to be held the following day at the Duluth PCA regarding permitting for the PolyMet project and involving such organizations as the DNR, Army Corps, MPCA and tribal entities. He questioned whether counties would be at the table or if there had been discussion with counties. The meeting was not a decision-making one. Rep. Cravaack wishes to check in with those involved, including the PCA which stepped in regarding the latest impact statement from PolyMet. The Governor has issued an executive order and the Legislature passed legislation to urge faster permitting. The cost of permitting is large; PolyMet has expended 40,000 hours towards the permitting process to date.

STATE

1. Appointment of Mike Carroll to DNR Assistant Commissioner for Field Operations and Community Outreach Mr. Engwall reported that the DNR Commissioner's office recognizes issues pertaining to the northern part of the state, as reflected in the appointment of Mike Carroll who, while working out of the Park Rapids area office, will focus on northern issues. Comm. Swanson was also interested in the appointment of Mary McDonnell who has a background at Polaris. Mr. Carroll, he added, arranged a meeting with northern legislators and commissioners. A conversation about a replacement for Mr. Carroll as director in the northwest office revealed that the commissioner's preference might not be for someone with a DNR background but rather someone having strength in organizational and people skills. Another assistant commissioner appointment went to Erica Rivers, who has worked in northern Minnesota. Mr. Carroll will hold the job for two years and will stay involved in the land asset project.

2. DNR Parks and Trails 25 Year Plan The plan responds in part to a mandate of a year ago to address in a survey and a study various areas of interest, including geographic imbalance of park and trail development, Mr. Engwall recalled. Comm. Beckel added that a statewide survey about use of funds revealed a push for acquisition, though similar support was not seen locally. The metro area was interested in keeping a significant portion of available funding. Comm. Dahlberg was interested in seeing both the plan and survey questions and results. Mr. Engwall will look into a presentation to the Board

3. DNR Land Management Bills Mr. Engwall reported that a variety of legislative initiatives have been introduced, including a call for no net gain of public land and a call for no net loss of hunting lands. Comm. Swanson asked Mr. Engwall if it is accurate that the DNR is to come before a county board in a land acquisition situation and if, then, the county has 60 days to make a decision which can, if in the negative, be appealed by the DNR or the seller. The county is not to be capricious but to have compelling reason for denial, such as a health concern. Mr. Engwall, though he did not know of an instance, reviewed that an appeal, such as in a Scientific and Natural Area, is to ensure that the DNR is going through the proper steps to document need. Comm. Beckel noted that communications with the DNR have improved to the point that difficulties surrounding these matters do not now arise as frequently as previously.

Mr. Engwall reviewed that there is an effort of exchanging state trust lands with the BWCA. The federal government would pay cash for two-thirds of the value of 90,000 acres and one-third of the value would be realized in land exchange. Mr. Krepps has been part of the discussion. About 42,000 acres of Superior National Forest Lands are of interest. Mr. Krepps added that the BWCA exchange, while not the easiest project, is low hanging fruit in regards to its benefit to the trust. He has played a neutral role in conversations between the two parties. Mr. Krepps added that there is legislation, HF 435, proposed that would affect 2.5 million acres of school trust land, and would establish a trust lands office that would pull lands from the oversight of the DNR. As a member of the Permanent School Trust Advisory Committee, he has noted that the bills have not been brought to the advisory committee for comment. To duplicate effort is not effective and any existing problems might be addressed directly, he advised. A single point of contact within the DNR or elsewhere would be of benefit, but a new organization that pulls management away is not necessary, he commented from his personal perspective.

Mr. Krepps reviewed his role on the Trust committee and the forestry experience he brings to it. He has been interested that within the last four months an initiative has been brought forward that has a potential effect on many counties. State tax forfeited minerals are managed by the state's DNR. When minerals are extracted – traditionally meaning iron ore - there are three categories of state land that are benefited: the State School Trust; the University Trust and the Tax-Forfeited Trust. The royalty for iron is \$1.42 per pound when extracted. Eighty percent goes to the school trust, the university trust, and, in the case of tax-forfeited land, to the county through the auditor's office. Twenty percent of each royalty goes to the minerals management account, which is capped at \$3 million. At the beginning of the new fiscal year the excess of the \$3 million is distributed back to the school and university trusts according to the percentage contributed. St Louis County wants a redistribution of the excess to the tax forfeited trust as well. This will become an issue as non-ferrous minerals are increasingly extracted. There are numbers of categories of ownership of surface and sub-surface minerals; each situation must be examined. County land departments have not looked at the implications of what occurs after mining, such as the ownership of stockpiles which if moved become personal property of the owner of the land where they sit. Comm. Raukar noted a large amount of private ownership of mineral rights that result in royalty payments. Comm. Napstad noted various classifications of ownership. He added that under-representation at the legislature may not bode well for the interests of mining counties.

4. Heart of the Continent Partnership Meeting Feb 24-25 Comm. Sobanja reported that he had attended the second day of the meeting. He likened the mission of the organization to a marketing campaign to celebrate assets in the area and the contributions of industry, mining, timber and tourism while coexisting with environmental sustainability. The area contains the Quetico Park, BWCAW, Superior National Forest and Voyageurs National Park. Comm. Raukar asked if there were an emphasis on connectivity and codependence of stakeholders in the area. Comm. Sobanja recalled that there was not talk in opposition to development. Mr. Engwall added that the DNR is not actively participating. Pooling of information and resources would be beneficial and looking across borders is helpful; the organization may not yet have realized its claims to a non-policy oriented mission.

5. Lessard Sams Outdoor Heritage Council Mr. Engwall reported that one recommendation from the Council has been a statewide \$5.4 million forest easement project. The Blandin easement was, by comparison, \$36 million. These easements keep private land private and the tax base remains constant. He encouraged that counties come forward with enhancement and restoration projects that would provide benefit. There could be cooperation with the DNR. Typically acquisition dollars, on the other hand, focus on southern Minnesota 2% counties. LSOHC funds cannot be used for state park acquisition.

Comm. Napstad called attention to the \$4 million small grant program with its 50-50 local match contribution. He suggested that there be better outreach to small groups regarding the availability of these funds as the program is not well understood. Larger, better-organized clubs might at present better take advantage of these funds. Comm. Swanson asked if it is in the DNR purview to facilitate such outreach. Mr. Engwall affirmed this and agreed larger groups are better placed to access funds while at the same time there are various appropriate potential projects that would not entail land acquisition. Comm. Beckel noted that a local plan of the Agassiz Learning Center was denied despite DNR assistance due to the failure to fill out one element of the application. The process, he added, is not easy and people have been upset with delays of funding. Governmental agencies are being assigned dollars, Comm. Napstad noted, leading to a perception that an applicant needs to be a governmental agency to be successful. Mr. Engwall clarified that while some Lessard Sams funding goes to larger agencies, the DNR administers, but does not seek, the small grant funds. Consistency of availability of the fund in the coming years would help in its being accessed over time, noted Comm. Beckel.

6. House File 401 Comm. Raukar reported that St. Louis County Land Commissioner Bob Krepps had recently made the St. Louis County Board of Commissioners aware of proposed legislation that would essentially result in a hostile takeover or taking of 1,416 county-administered tax-forfeited acres by the Iron Range Resources & Rehabilitation Board to augment land ownership in the Giant's Ridge Recreational Area. This comes on the heels of recent sale of acreage to the resources board that benefited the county. Comm. Raukar distributed an informational table from St. Louis County on 2010 Land Department Proceeds Apportionment, a copy of the proposed bill HF 401 with a map, a draft of a letter to the legislators proposing the bill, a newspaper article summarizing the situation, and a resolution that might be a model for NCLUCB to revise and adopt. Both the county and the IRRRB want development, but the county is objecting to the absence of process. Mr. Krepps added that over the past one and a half years the county has worked with the IRRRB over a transfer of property. Initially the resources board expressed interest in six 40-acre parcels but were not satisfied with the appraisal; the resource board's own appraisal differed by \$120,000. A deal remains on the table for two 40-acre parcels at a set price. The recent proposal came

without warning though it had been worked on since August 2010. A recent email from the IRRRB stated that they had always intended to inform the county. A meeting was being set for the coming week. Transfer of the land is not in question but questions remain as to whether payment is upfront or in arrears and whether development costs come out of sale proceeds. Mineral rights and other matters are not being considered. There has been government-to-government communication in the past.

Comm. Dahlberg noted that this situation might happen to any county and inquired about the value of the property under consideration. Mr. Krepps responded that a recent transfer yielded about \$2,020 an acre for raw land within the resource board's development area, much of which will be devoted to high-end second homes that will demand roads, sewers and water. The costs for these amenities would be taken from the purchase price. The house bill would result in an increase in the tax base, but it is still a taking of the land without anything coming back immediately to the taxing entity. Purchase value might be figured at from \$1.6 to \$2.3 million. He noted that the proposed transfer relates to the fiduciary trust put on his department. Comm. Raukar added that the proposal resembles exaggerated tax increment funding and that there would be little dividend to the county as most of the benefit would go to the resources board.

Comm. Swanson asked if the DNR can redline some tax-forfeit land transfers. Mr. Engwall responded that legislation can trump department decisions. Comm. Swanson asked what other entities could do this? If a state park boundary changes and sweeps in tax-forfeited land there may be no compensation to the administrator, though the DNR has allowed continued county administration in cases.

Comm. Dahlberg asked if this were an example of an unfunded mandate that ignores the essential role of the land commissioner and underestimates return to the county. While the IRRRB suggests that 50 percent of revenues come back to the land department, this is not the case, responded Mr. Krepps. And, significantly, the development costs are missing from information supplied about the bill. Comm. Sobanja noted that some promised developments have not been successful. Development costs might exceed proceeds, added Comm. Beckel. Comm. Napstad asked if there is something unique about this proposal or could this happen in any county?

Motion by Comm. Swanson to support the resolution of St. Louis County as supplied by Comm. Raukar. Comm. Dahlberg asked whether reference should be made to the statutes governing tax-forfeited land. That the NCLUCB supports the action of the St. Louis County Board in opposing this diversion from Minnesota Statute 282.01. Comm. Raukar agreed that there would be merit in referencing the statute because of the implications of the bill into the future. Comm. Dahlberg suggested that the board support the resolution presented to it as proposed by St. Louis County "and hereto attached" and moreover oppose other efforts by the Legislature that would contradict Minnesota Statute 282.01. Counties are entrusted to manage tax-forfeited land and need to be included in the discussion, recommended Comm. Beckel.

Mr. Krepps offered that it is usurping the decision-making authority of the county board to administer tax-forfeited land; the county board sets the value of the property and this would be taken away and it sets a precedent for other projects targeting tax-forfeited land. The state of Minnesota pays counties to manage this land to replace taxes lost when the property was forfeited. It is a breach of trust in the statute to adopt this legislation, Comm. Raukar said. Commissioner Beckel seconded the motion, adding that county administered tax-forfeited land entails obligations by the county, and to step past this without discussion is not acceptable. The third whereas might read "Whereas there is an existing fair mechanism under Statute 282 available for government entities to acquire county-administered tax-forfeited property from counties,/ Now, therefore be it resolved the NCLUCB goes on record to oppose House File No. 401." The resolution would be directed to St. Louis County for use in its packet with note that it passed unanimously.

m. Swanson s. Beckel

7. House File 332 Comm. Sve reported that the bill HF332, dealing with no net increase, recommends that the state shall not acquire fee title to land unless the state declares an equal amount of state owned land surplus and sells that land. Comm. Sve was asked to testify at AMC regarding this bill. He was accompanied by Comm. Wade Pavleck. Comm. Swanson asked if the bill specifies where the surplus land will be sold. He suggested that acquisition of land in the southern part of the state might precipitate beneficial sale in the northern part of the state. Comm. Beckel recommended that, while not opposed to sale, counties should maintain veto power over a proposed sale, ensuring that both sides and the state benefit through negotiation. Mr. Engwall expressed concern that opportunistic sales long-desired by the state might be delayed if there are not identified acres already available for the surplus sale. More information gathering and testimony will be in store regarding the bill.

FEDERAL

1. House File 1 Comm. Sve reported that he sits on the environmental committee of NACo. A recent email from the committee regarded a House resolution for a 75 percent cut in PILT. The proposal was voted down 394 to 32. NACo noted victory. A letter was sent by the Lake County Board of Commissioners to Rep. Cravaack to thank him for his support in defeating the PILT cut. Comm. Swanson recommended that Rep. Colin Peterson also be thanked if he voted no. Motion was made by Comm. Napstad to send a letter of thanks to Rep. Cravaack from NCLUCB. Seconded by Comm. Beckel.

NCLUCB

1. Joint County Natural Resources Board A joint meeting in April was covered under Correspondence, above.
2. Membership Representation to NCLUCB There may be confusion as to the number of representatives to be appointed from each member county. The joint powers agreement will be mailed to all member counties. By-laws might be amended to give each county one vote rather than a vote to each representative. Process might be reviewed during discussions regarding Joint County merger.
3. Lessard Sams Outdoor Heritage Council representation Comm. Beckel asked about northern Minnesota representation. Sen. Saxhaug now sits on the Council. Mr. Engwall will email a list of appointments.
4. Agenda for April and other business– Joint Powers board discussion will be held in April. Comm. Beckel suggested that a new DNR appointee who addresses PILT issues, Susan Diamond, be invited; Mr. Engwall offered to follow up on this. The board, recalled the Director, had requested that neighboring non-member counties receive an invitation to the April meeting and the Joint County conversation; he will follow through on same.

Adjournment at 12:00 p.m.

m. Raukar s. Beckel

Next meeting April 7, 2011, 9:30 a.m. KOOTASCA Senior Center Building, Northome

Respectfully submitted by Douglas Skrief, Administrator