

Minnesota's School Trust Lands

Fulfilling the Fiduciary Duty to Minnesota's School Children

Minnesota Department of Natural Resources
February 2015



This report cost approximately \$5,000 to complete. Funds that the legislature appropriated for the school trust fund revenue enhancement program were used to complete the report. This report describes project proposals that demonstrate how the Department of Natural Resources will meet its fiduciary responsibility to Minnesota school children with regard to school trust lands.

Contents

Minnesota Department of Natural Resources.....	1
Executive Summary.....	5
Boundary Waters Canoe Area Wilderness Land Exchange.....	6
Project Summary.....	6
School Trust Benefits	6
Project Strategy.....	6
A. Project Team/Partners.....	6
B. Timeline Requirements.....	6
C. Long-Term Strategy and Future Funding Needs	6
Project Activities and Budget.....	7
Mineral Estate Management: Construction Aggregates.....	8
Project Summary.....	8
School Trust Benefits	8
Project Strategy.....	8
A. Project Team/Partners.....	8
B. Timeline Requirements.....	8
C. Long-Term Strategy and Future Funding Needs	9
Project Activities and Budget.....	9
Mineral Estate Management: Iron Range Stockpile Realignment.....	10
Project Summary.....	10
School Trust Benefits	10
Project Strategy.....	10
A. Project Team/Partners.....	10
B. Timeline Requirements.....	11
C. Long-Term Strategy and Future Funding Needs	11
Project Activities and Budget.....	11
Forest Management: Forest Management in NE Minnesota	13
Project Summary.....	13
School Trust Benefits	13
Project Strategy.....	13
A. Project Team/Partners.....	13
B. Timeline Requirements.....	13
C. Long-Term Strategy and Future Funding Needs	13
Project Activities and Budget.....	14

Land Asset Management: Metro Area Land Exchange.....	15
Project Summary.....	15
School Trust Benefits	15
Project Strategy.....	15
A. Project Team/Partners.....	15
B. Timeline Requirements.....	16
C. Long-Term Strategy and Future Funding Needs	16
Project Activities and Budget.....	16
Land Asset Management: Real Estate Potential, Riparian Lands	18
Project Summary.....	18
School Trust Benefits	18
Project Strategy.....	18
A. Project Team/Partners.....	18
B. Timeline Requirements.....	18
C. Long-Term Strategy and Future Funding Needs	18
Project Activities and Budget.....	19

Executive Summary

The Department of Natural Resources is submitting this report to comply with to *2014 Laws of Minnesota, Chapter 312, Article 12, section 6, subdivision 2.*

The Department of Natural Resources (DNR) proposes to fulfill its fiduciary duty to Minnesota's school children by focusing on proactive management techniques that DNR, as trustee, can implement to positively impact long-term management objectives. The DNR additionally will continue to meet its fiduciary duty by emphasizing active school trust land administration in its policy implementation, project development, and guidance on day-to-day operations. The DNR School Trust Team selected projects in areas with historic prohibitions to revenue generation, and future potential to maximize revenues from mineral estate management, forest products, and real property assets.

The feature project proposal is to fund activities related to the proposed Boundary Waters Canoe Area Wilderness land exchange between the U.S. Forest Service and Minnesota. The U.S. Forest Service and DNR recently executed an Agreement to Initiate the land exchange, which agreement identifies costs that the DNR must incur to advance the project. Furthermore, the mineral estate management proposals will accelerate the evaluation and leasing of school trust construction aggregate resources, and will reunite surface and mineral estate lands in historic mining areas to maximize long-term revenue. Two land asset management proposals will evaluate the potential for real estate development of school trust land assets, and will resolve real estate development pressures in areas with special habitat and natural features. The forest management proposal aims to transform forested school trust lands to a resilient forest with diverse cover types to secure long-term revenue potential.

These proposed projects will demonstrate a comprehensive approach to school trust land management that addresses securing long-term revenue potential, reducing operating costs, ensuring a return-on-investment from each project, and employing sound natural resource and management principles. The DNR School Trust Administrator will lead multiple DNR staff, County partners and third-party vendors in each project.

These project proposals are only a handful of examples of management techniques that DNR is implementing across Minnesota's entire school trust landscape to fulfill the fiduciary obligation to public education. However, additional investments in school trust land management are necessary to continue to enhance the Permanent School Trust Fund land asset of 2.5 million acres.

Boundary Waters Canoe Area Wilderness Land Exchange

Project Summary

\$300,000

In 1978 Congress established the Boundary Waters Canoe Area Wilderness (BWCAW) and in doing so encumbered approximately 86,000 acres of school trust lands situated therein. The federal act has precluded revenue generating activities on these school trust lands since 1978. To address this long-standing issue, the Minnesota legislature provided authority to DNR to expedite a hybrid land exchange and land sale project with the U.S. Forest Service. The hybrid proposal calls for one-third of the school trust lands to be exchanged for equally valued federal lands outside the BWCAW with the remaining two-thirds to be condemned and sold directly to the Forest Service.

The DNR and U.S. Forest Service (USFS) are actively engaged in a land exchange project that would replace approximately 30,000 acres school trust lands in the BWCAW with equivalent land currently in federal ownership outside the BWCAW. The proposed land exchange project requires the State to fund an agreed upon amount of the project costs. The land exchange project cost estimates are related to project management (\$75,000), appraisal services (\$200,000), and real estate title (\$25,000).

School Trust Benefits

The direct economic benefit of the hybrid land exchange will be the acquisition of lands outside the BWCAW that can be managed for long-term revenue generation from forest products, real estate development, and mineral estate management.

Project Strategy

A. Project Team/Partners

The project team will consist of: (a) DNR staff – School Trust Land Administrator, Land Exchange Program Coordinator, DNR project manager, and legal counsel; (b) USFS – Superior National Forest staff. The School Trust Administrator, Land Exchange Program Coordinator, and DNR project manager will be responsible for overall project coordination and management. The DNR Land Exchange Program Coordinator, project manager and USFS staff will be responsible for all of Activity 1, and a portion of both Activity 2 and 3. The Land Exchange Program Coordinator, project manager, legal counsel and USFS staff will be responsible for Activity 3. The Land Exchange Program Coordinator, project manager, and USFS staff will be responsible for Activities 4 and 5. DNR Land Exchange Program Coordinator, project manager, and legal counsel operate under service level agreements, and will be compensated for their services under any such agreements. The Attorney General’s office will be responsible for Activity 3. The Attorney General’s office provides legal services to state agencies on an hourly fee basis; the DNR would utilize a portion of the appropriation to pay for necessary legal services.

B. Timeline Requirements

Funding for two years (July 1, 2015 through June 30, 2017) is requested to initiate and complete the valuation phase of the BWCAW land exchange. DNR will be developing a valuation method with USFS, and establishing a market value of the school trust lands within the BWCAW per to Minn. Stat., sec. 92.80.

C. Long-Term Strategy and Future Funding Needs

The strategy is to complete the hybrid land exchange / land sale with USFS. This strategy will ensure the Permanent School Fund receives land assets that have the ability to secure long-term maximum revenues

from school trust land assets. Additional funding will be necessary to finalize the land exchange and to proceed with a condemnation of school trust lands within the BWCAW in order to sell directly to the USFS.

Project Activities and Budget

Activity 1: Economic Prioritization of Land Exchange Parcels

Budget: \$10,000

DNR identification of the proposed exchange parcels and communication of the economic benefits of the proposal.

Outcome	Completion Date
1. Hazardous Material screening and identification.	03/2015
2. Complete exchange parcel delineation and legal descriptions.	06/2015
2. Complete categorization and prioritization of parcels.	07/2015

Activity 2: Valuation

Budget: \$200,000

DNR and USFS will contract with third-party appraisers to establish value for the school trust lands and the federal candidate exchange lands.

Outcome	Completion Date
1. Develop appraisal scope of work and hire appraiser previously qualified under DNR master contract.	08/2015
2. Contract with qualified appraiser to perform an administrative review of appraisal report.	11/2015
3. DNR and USFS to agree on valuation.	01/2016

Activity 3: Title Review

Budget: \$25,000

DNR and USFS will proceed with a review of the respective title to the exchange parcels, identify encumbrances, and resolve any unacceptable title concerns.

Outcome	Completion Date
1. DNR and USFS will update title evidence for the exchange parcels.	08/2016
2. Complete title review of surface and mineral ownerships.	12/2016

Activity 4: Notice and Approval

Budget: \$15,000

DNR and USFS will engage the public through the federally prescribed notice, hearing and comment periods. USFS will obtain approval to proceed with the exchange from Congress. DNR will obtain approval to proceed from the Land Exchange Board.

Outcome	Completion Date
1. Preparation and submittal of initial public notice.	03/2015
2. Hold multiple joint public hearings with USFS.	10/2015
3. Address public comments from hearings and notice periods.	12/2015
4. Hold public hearing with Permanent School Fund Commission regarding valuation proposal and status.	03/2016
5. Prepare, brief and obtain approval from Land Exchange Board.	06/2016

Activity 5: Final Title Report

Budget: \$50,000

DNR and USFS will transfer exchange parcels, remit payment for transfer deed taxes and recording fees.

Outcome	Completion Date
1. Final Title Report and conveyance.	02/2017
2. Update DNR land records and GIS datasets.	06/2017

Mineral Estate Management: Construction Aggregates

Project Summary

\$250,000

The DNR conservatively estimates the value of construction aggregates (i.e., sand and gravel resources) on school trust lands to be between \$400 Million and \$1.6 Billion. To best manage this asset, sand and gravel needs to be systematically inventoried to flag those parcels with prospective deposits. Further effort and technical expertise is required to convert resource potential into revenue by: geologically assessing economic deposits; leasing deposits through a competitive bidding process; developing new mines in a logical and environmentally sound manner; and reclaiming mines to ensure post-mining revenue generating opportunities. Once a lease is established, a single aggregate operation can produce annual revenue for several years with little administrative overhead.

The number and location of school trust parcels with prospective deposits of sand and gravel resources are unknown for the majority of school trust lands. Future revenue streams from aggregate resources on school trust lands, therefore, are vulnerable to being undervalued in real estate transactions. However, the DNR, with limited dedicated funding, has undertaken a construction aggregate research and evaluation project on school trust lands. During this time, revenues from construction aggregates rose over 20 percent even during depressed market conditions during the last recession. In fact, a report by the US Dept. of Transportation estimated that during the same time construction aggregate production was down 30 to 50 percent.

An ongoing effort is necessary to replace revenues from depleted mines as well as to increase revenues to the Permanent School Fund from construction aggregates. Over the last five years DNR geologists have analyzed over 500,000 acres of school trust land, mapped the school trust aggregate resources when present, and described the quality of each deposit. The DNR proposes to accelerate and complete the evaluation and mapping of construction aggregates on the remaining school trust lands.

School Trust Benefits

Construction aggregates can be a high-value per acre resource with local markets across the State, as underscored by a single lease in Itasca County yielding \$2 million in revenue for the Permanent School Fund. Armed with the knowledge of where these resources are located the DNR will optimize the challenge of converting these resource values into revenues for the Permanent School Fund.

Project Strategy

A. Project Team/Partners

The project team will consist of: (a) DNR staff – School Trust Land Administrator, Mineral Potential geologists and legal counsel. The School Trust Administrator will be responsible for overall project coordination and management. The DNR geologists will be responsible for all of Activity 1, and a portion of both Activity 2 and 3.

B. Timeline Requirements

Funding for two years (July 1, 2015 through June 30, 2017) is requested to complete the evaluation of school trust construction aggregate resources. The evaluation work consists of remote sensing reconnaissance, field evaluations to confirm remote sensing data, preparation of GIS data and maps, and a brief report on the quality and quantities identified on school trust parcels.

C. Long-Term Strategy and Future Funding Needs

DNR's short-term strategy is to complete the construction aggregate evaluation for all school trust lands. The long-term strategy will be to position the DNR leasing program in such a way to ensure that the Permanent School Fund captures significant market share from proposed road and construction projects throughout Minnesota. This long-term strategy will ensure that the school trust resources are developed with sound natural resource and conservation management principles. Future funding needs will be required to continue to evaluate, promote and manage school trust construction aggregate resources.

Project Activities and Budget

Activity 1: Perform Construction Aggregate Inventory

Budget: \$200,000

DNR will utilize remote sensing and field visits to identify and verify deposits.

Outcome	Completion Date
1. Complete remote sensing evaluation of school trust parcels.	06/30/2016
2. Complete field tests of evaluated school trust parcels.	10/31/2016
3. Complete quality and quantity reports of identified school trust resources.	01/31/2017

Activity 2: Data and Mapping

Budget: \$25,000

DNR will compile data, prepare maps, and update resource information.

Outcome	Completion Date
1. Develop GIS data sets for all identified aggregate resources.	03/30/2017
2. Prepare GIS layers and maps of aggregate resources.	06/30/2017

Activity 3: Marketing and Leasing

Budget: \$25,000

DNR will continue with its construction aggregate marketing and leasing program.

Outcome	Completion Date
1. Analyze known road and construction projects in proximity to identified school trust resources.	08/31/2016
2. Develop strategy to capture market share.	12/31/2016
3. Initiate competitive bidding process for construction aggregates.	03/30/2017

Mineral Estate Management: Iron Range Stockpile Realignment

Project Summary

\$50,000

The DNR manages mine development on school trust fund lands and tax-forfeited lands to generate equitable rental and royalty income for the Permanent School Fund and for local units of government. DNR mineral management has a stated goal of mine development that seeks to deposit stockpiles of lean ore or waste rock on adjacent lands with the same ownership. That is, lean ore removed from school trust fund lands are to be stockpiled on adjacent school trust lands.

Current ownership patterns and mineral development at the Hibbing Taconite, Minntac, and United Taconic mines have resulted in a lack of adjacent lands with identical surface ownership for stockpiling lean ore or waste rock. The shortage of suitable stockpiling lands has resulted in mineral development in other areas, and delayed mineral royalty revenues from school trust mineral deposits.

The Division of Land and Minerals has identified these stockpiling conflicts at Hibbing Taconite, Minntac, and United Taconite. At US Steel's Minntac mine, additional school trust lands are needed for stockpiling school trust lean ore. US Steel has two mined out tax-forfeited parcels within Minntac's permit to mine boundary that could be used for in-pit stockpiling of school trust waste rock since the company already has sufficient room for stockpiling of tax-forfeit material. Millions of tons of crude ore would be readily available for future mining at the Minntac operation after realigning the surface ownerships of mined out tax-forfeit lands.

The DNR proposes to resolve this mineral management issue through a 160-acre land exchange of school trust lands and tax forfeit lands. The proposed land exchange will enable mine development of both the school trust minerals and tax-forfeited minerals at Hibbing Taconite, United Taconite and Minntac. Mineral development of school trust resources will remain on hold until school trust land is available for stockpiling

School Trust Benefits

This proposed mineral management project will generate an economic return from school trust mineral resources through increased revenue opportunities from existing mining operations, future scam mining activities on school trust stockpiles, and will reduce mineral management expenses.

Project Strategy

A. Project Team/Partners

The project team will consist of: (a) DNR staff – School Trust Land Administrator, Land Exchange Program Coordinator, Mining Engineers, and legal counsel; (b) St. Louis County Land Commissioner and assigned staff. The School Trust Administrator and Land Exchange Program Coordinator will be responsible for overall project coordination and management. The DNR Land Exchange Program Coordinator, Mining Engineers and St. Louis County staff will be responsible for all of Activity 1, and a portion of both Activity 2 and 3. The Land Exchange Program Coordinator, legal counsel and St. Louis County will be responsible for Activity 3. The Land Exchange Program Coordinator and St. Louis County will be responsible for Activities 4 and 5. DNR Land Exchange Program Coordinator and legal counsel operate under service level agreements, and will be compensated for their services under any such agreements. The Attorney General's office will be responsible for Activity 3. The Attorney General's office provides legal services to

state agencies on an hourly fee basis; the DNR would utilize a portion of the appropriation to pay for necessary legal services.

B. Timeline Requirements

Funding for two years (July 1, 2015 through June 30, 2017) is requested to initiate and complete the mineral stockpile land exchange. The basis stems from the intricacies to identify and recommend a prioritization of parcels, develop valuation methodologies, and to commence and conclude a land exchange pursuant to Minnesota Statutes, section. 94.343.

C. Long-Term Strategy and Future Funding Needs

DNR's long-term strategy is to develop mineral management asset projects in and around known areas of mineralization. This long-term strategy will ensure the Permanent School Fund receives maximum revenues from mineral development projects and mineral royalty payments. The DNR long-term strategy will be to improve the school trust mineral assets through repositioning of school trust lands to revenue producing areas. Future funding needs will be required to continue to realign school trust assets over the next decade.

Project Activities and Budget

Activity 1: Economic Prioritization of Land Exchange Parcels **Budget: \$1,000**

DNR identification of the proposed exchange parcels and communication of the benefits of the proposal with St. Louis County.

Outcome	Completion Date
1. Complete exchange parcel delineation and legal descriptions.	07/10/2015
2. Complete categorization and prioritization of parcels.	07/31/2015

Activity 2: Valuation **Budget: \$5,000**

DNR will contract with third-party appraisers to establish value for the base lands and exchange lands.

Outcome	Completion Date
1. Develop appraisal scope of work and hire appraiser previously qualified under DNR master contract.	08/31/2015
2. Contract with qualified appraiser to perform an administrative review of appraisal report.	11/20/2015

Activity 3: Title Review **Budget: \$10,000**

DNR and St. Louis County will proceed with a review of the respective title to the exchange parcels, identify encumbrances, and resolve any unacceptable title concerns.

Outcome	Completion Date
1. DNR will update abstracts of title for the exchange parcels.	08/31/2015
2. Complete title review of surface and mineral ownerships.	12/31/2015

Activity 4: Notice and Approval **Budget: \$15,000**

DNR will engage the public through the statutorily prescribed notice, hearing and comment period. St. Louis County will obtain approval to proceed with the exchange from its County Board. DNR will obtain approval to proceed from the Land Exchange Board.

Outcome	Completion Date
1. Preparation and submittal of initial public notice.	08/31/2015

2. Hold multiple public hearings in St. Louis County.	10/30/2015
3. Obtain approval of St. Louis County Board to proceed with exchange.	12/31/2015
4. Hold public hearing with Permanent School Fund Commission regarding valuation proposal and status.	03/30/2016
5. Obtain approval of valuation from St. Louis County Board.	03/30/2016
6. Prepare, brief and obtain approval from Land Exchange Board	06/30/2016

Activity 5: Conveyance and Final Title Report

Budget: \$19,000

DNR and St. Louis County will transfer land exchange parcels, remit payment for transfer deed taxes and recording fees.

Outcome	Completion Date
1. Conveyance of tax-forfeited lands.	07/29/2016
2. Final Title Report.	09/30/2016
3. Conveyance of school trust lands.	10/21/2016
4. Update DNR land records and GIS datasets.	10/28/2016

Forest Management: Forest Management in NE Minnesota

Project Summary

\$250,000

The DNR Division of Forestry actively manages 2.5 million acres of school trust fund lands. The recent DNR school trust land inventory project identified over 1 million acres with capacity to provide sustainable long-term revenue from forest products. However, if not proactively managed these school trust timber resources will not provide this sustainable long-term economic return. This forest management project aims to secure a long-term revenue stream from forest products in the face of emerging challenges such as invasive species, disease, changing demographics and a globalizing economy.

The goal of this forest management project goal is to reforest approximately 500 acres of school trust lands, which are mainly situated in Minnesota's Arrowhead region. The project will establish climate-informed forest management as a long-term economic strategy on school trust fund lands. The forestry practices include promoting diverse species mix based on DNR ecological classification system, and improving the species composition of native forests on the landscape. Applying these forest management strategies seeks to provide a wider range of long-term economic opportunities, and a more diverse landscape. Additionally, this forest management project will generate empirical evidence that will guide future decisions on school trust management.

School Trust Benefits

The project proposal will result in empirical evidence related to the return-on-investment from alternative forest management strategies as opposed to current forest management strategies. Additionally, the project will contribute to DNR management of school trust forest resources under an economic forest management model.

Project Strategy

A. Project Team/Partners

The project team will consist of DNR School Trust Land Administrator, DNR Silviculturist, and DNR Timber Program foresters. The School Trust Administrator will be responsible for overall project coordination and management. The School Trust Administrator and DNR Silviculturist will be responsible for Activity 1. Timber Program Foresters will be responsible for Activity 2 through 4.

B. Timeline Requirements

Funding for two years (July 1, 2015 through June 30, 2017) is requested to complete and implement the forest management plans. The basis for a two-year request is due to the development of site specific plans, the labor intensive work of reforestation, and the timing needed for future treatments to protect this investment.

C. Long-Term Strategy and Future Funding Needs

DNR's school trust management strategy is to identify economic opportunities in forest management through DNR sub-section forest plans. The long-term strategy seeks to modify management technique to be proactive in addressing stressors to the school trust forest resources. This long-term strategy will ensure a forest resource exists in the future, provide an economic return to the Permanent School Fund, deal with known, and unknown, challenges to the school trust forest resources. Future funding needs will be required to employ this proactive management approach across all forested school trust lands.

Project Activities and Budget

Activity 1: Site Selection

Budget: \$2,500

DNR will identify approximately 1,000 acres of recently harvested school trust timber stands that have not been scheduled for reforestation under current appropriations. DNR will use its existing ecological classification system to determine the most suitable species for reforestation.

Outcome	Completion Date
1. Complete identification of most suitable sites for reforestation	06/30/2015
2. Complete site evaluation in relation to potential cover type modifications	09/30/2015

Activity 2: Forest Management Plans

Budget: \$7,500

DNR will prepare management prescriptions for the 1,000 acres selected in Activity 1. The prescriptions will describe the optimal species for reforestation, the long-term economic potential of the prescriptions, the ecological benefits of the prescription, and the timing of future forest management treatments.

Outcome	Completion Date
1. Complete overarching school trust land forest management policy	10/30/2015
2. Complete specific forest management plans for select sites	02/28/2016

Activity 3: Site Preparation and Reforestation

Budget: \$190,000

DNR will implement each individual plan.

Outcome	Completion Date
1. Complete site preparation.	06/30/2016
2. Complete reforestation activities.	10/31/2016

Activity 4: Future Management Treatments

Budget: \$50,000

Intermediate forest management treatments will be necessary to secure the investment in forest management strategies.

Outcome	Completion Date
1. Bud cap seedlings	06/30/2017
2. Release of young trees	06/30/2017

Land Asset Management: Metro Area Land Exchange

Project Summary

\$100,000

The DNR proposes to initiate a land exchange of scattered school trust lands in Anoka and Isanti Counties for a consolidated block of state acquired land in the Sand Dunes State Forest (SDSF) in Sherburne County. The proposal encompasses approximately 800 acres of isolated School Trust Fund land for 1,000 acres of DNR acquired land of equal value in the SDSF.

The proposal addresses the DNR's fiduciary duty to maximize long-term revenue potential on school trust lands by employing sound natural resource and conservation management principles. In particular, the project will resolve timber harvest pressures on school trust lands situated in the Sand Hill Crane Natural Area and relocate school trust land assets to an area with improved revenue potential from forest products.

DNR staff, working through an interdisciplinary land asset management process, identified the school trust lands for exchange based on the following factors: limited opportunities to conduct active management; low productivity (1/2 cord per acre per year or less); poor access; low sustainable income potential; high management costs; and, non-income producing uses. Through the same process, DNR staff identified DNR acquired lands based on the following factors: high sustainable income producing potential (estimated at over \$3 million over one rotation age based on DNR economic analysis report in 2009); good access; lower management costs; and a large block of rural, vacant land.

Based on soil characteristics and ecological classifications the parcels within the SDSF are prime sites for growing pine in central Minnesota, with growth rates of one cord per acre per year or more. Managing these sites as school trust lands, and matching the proper vegetation with the soils found in the SDSF, will offer the best potential to manage for sustained yield with added benefits of providing healthy ecosystem values. Additionally, the proposal anticipates enhancing the return on investment for the Permanent School Trust Fund based on reduced operating costs in managing a consolidated block of land, regeneration costs will be greatly reduced as pine on these soils regenerate naturally, thus requiring minimal inputs to reestablish the pine stands after final harvest. The reduced inputs mean less cost, better environmental conditions for native flora and fauna, and better acceptance of management activities by the general public.

School Trust Benefits

The proposed project provides long-term economic benefits to the Permanent School Fund by removing school trust lands from an area with low economic potential from forest products and real estate to a site with resource characteristics to produce high value timber, and consolidate school trust ownerships to reduce operating costs.

Project Strategy

A. Project Team/Partners

The project team will consist of: (a) DNR staff – School Trust Land Administrator, Land Exchange Program Coordinator, Forest silviculturist, Forestry land coordinator, Forestry regional staff, and legal counsel; Anoka County staff. The School Trust Administrator and Land Exchange Program Coordinator will be responsible for overall project coordination and management. The Land Exchange Program Coordinator, DNR Forestry staff, will be responsible for Activities 1 and 2. The Land Exchange Program Coordinator will

be responsible for coordinating all tasks in Activities 4 and 5 with Anoka County, the Attorney General’s Office, and the Land Exchange Board. DNR Land Exchange Program Coordinator and legal counsel operate under service level agreements, and will be compensated for their services under any such agreements. The Attorney General’s office will be responsible for Activity 3. The Attorney General’s office provides legal services to state agencies on an hourly fee basis; the DNR would utilize a portion of the appropriation to pay for necessary legal services.

B. Timeline Requirements

Funding for two years (July 1, 2015 through June 30, 2017) is requested to initiate and complete the land exchange. The basis stems from the resolution of known real property title defects, the process to identify and recommend a prioritization of parcels, develop valuation methodologies, and to commence and conclude a land exchange pursuant to Minnesota Statutes, section. 94.343.

C. Long-Term Strategy and Future Funding Needs

DNR’s strategy is to develop a long-term strategic land asset management plan. The DNR long-term strategy will be to improve the school trust real property assets through land exchange projects, leasing and timing divestitures with favorable market conditions. Future funding needs will be required to develop and implement the land asset management plan.

Project Activities and Budget

Activity 1: Economic Prioritization of Land Exchange Parcels **Budget: \$2,500**
DNR has identified the proposed exchange parcels.

Outcome	Completion Date
1. Complete exchange parcel delineation and legal descriptions.	07/10/2015
2. Complete categorization and prioritization of parcels.	07/31/2015

Activity 2: Valuation **Budget: \$7,500**
DNR will contract with third-party appraisers to establish value for the base lands and exchange lands.

Outcome	Completion Date
1. Develop appraisal scope of work and hire appraiser previously qualified under DNR master contract.	08/31/2015
2. Contract with qualified appraiser to perform a technical review of the appraisal report.	12/31/2015

Activity 3: Title Review **Budget: \$25,000**
DNR will proceed with a review of the respective title to the exchange parcels, identify encumbrances, and resolve any unacceptable title concerns.

Outcome	Completion Date
1. DNR will update abstracts of title for the exchange parcels.	10/30/2015
2. Complete title review of surface and mineral ownerships.	12/31/2015
3. Resolution of real property title defects.	9/30/2016

Activity 4: Notice and Approval**Budget: \$15,000**

DNR will engage the public through the statutory notice, hearing and comment period. DNR will obtain approval to proceed from the Land Exchange Board.

Outcome	Completion Date
1. Preparation and submittal of initial public notice.	10/31/2016
2. Hold multiple public hearings in Anoka County.	12/30/2016
3. Hold public hearing with Permanent School Fund Commission regarding valuation proposal and status.	01/31/2017
5. Prepare, brief and obtain approval from Land Exchange Board	03/30/2017

Activity 5: Conveyance and Final Title Report**Budget: \$50,000**

DNR will transfer land exchange parcels, remit payment for transfer deed taxes and recording fees.

Outcome	Completion Date
1. Conveyance of transfer documents.	06/30/2017
2. Final Title Report.	06/30/2017
3. Update DNR land records and GIS layers to remove school trust land status	06/30/2017

Land Asset Management: Real Estate Potential, Riparian Lands

Project Summary

\$50,000

The 2013 School Trust Inventory identified approximately 442,000 acres of school trust land with potential for real estate development. The inventory recognized that the potential exists to generate long-term economic returns from high value school trust real property assets through industrial development, alternative energy sources, and school trust lands with riparian attributes.

This project proposal is to further evaluate the 2013 School Trust Inventory, determine the highest value real property interests, and to develop long-term strategies to maximize revenues from real estate development for the Permanent School Fund. DNR staff will resolve inconsistencies in the 2013 School Trust Inventory with respect to potential revenue streams from mineral estate and forest products. DNR staff will evaluate school trust lands currently categorized as real estate development parcels and further classify a highest and best use as industrial development, alternative energy potential, or parcels for divestment. The evaluation process will afford DNR, as trustee, with necessary information regarding future management potential in order to secure long-term revenue potential. The proposal additionally will enhance DNR knowledge of the high value school trust real estate parcels, which will inform DNR offerings of school trust lands for sale at public auction.

School Trust Benefits

Understanding the real estate development potential of these school trust lands will guide future DNR management decisions related to a real estate investment strategy to hold, develop or divest of particular school trust land assets.

Project Strategy

A. Project Team/Partners

The project team will consist of DNR staff – School Trust Land Administrator, Lands & Minerals staff, and legal counsel. The School Trust Land Administrator will be responsible for overall project coordination and management. Lands & Minerals staff will be responsible for Activities 1 and 2. DNR Lands & Minerals staff operate under service level agreements. The DNR would utilize a portion of the appropriation to pay for necessary services.

B. Timeline Requirements

Funding for one and one half years (July 1, 2015 through January 30, 2017) is requested to initiate and complete the evaluation of the school trust real property asset.

C. Long-Term Strategy and Future Funding Needs

DNR policy is to develop a business plan and framework regarding school trust land management including management of the school trust real property assets. Future funding needs will be required to implement business plans.

Project Activities and Budget

Activity 1: Evaluation of real estate development potential

Budget: \$25,000

Evaluation of Real Estate Development Sites

Outcome	Completion Date
1. Complete identification and delineation of sites.	12/31/2015
2. Complete analysis of real estate development potential at each site.	03/30/2016
2. Complete report on real estate development potential.	06/30/2016

Activity 2: Valuation of Riparian Sites

Budget: \$25,000

DNR will establish an inventory of high value riparian school trust lands, and an estimated market value.

Outcome	Completion Date
1. Complete identification of high value riparian school trust lands.	12/31/2015
2. Develop appraisal scope of work for specific parcels.	03/30/2016
3. Complete appraisals for specific parcels.	10/31/2016
4. Complete report and recommendation on the potential divestment of high value real estate parcels.	03/30/2017