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Minnesota Department of Natural Resources

OFFICE OF THE COMMISSIONER

500 Lafayette Road
St. Paul, Minnesota 55155-4037

January 19, 1999

SEE ATTACHED LIST

Dear Senator/Representative:

During the 1998 Legislative session, language was passed into law requiring a report by the commissioner of natural resources specific to the exchange of lakeshore leased lots. The 1998 Law of Minnesota, Ch. 389, Art. 16, Sec. 31. Subd. 1 states:

By January 15, 1999, the commissioner of natural resources must submit a report to the chairs of the senate and house environment and natural resources committees; the house environment, natural resources, and agricultural finance committee; the senate environment and agriculture budget division; the senate children, families and learning committee; and the house education committee. The report must provide the results of the field inspection required by this section, recommendations on appropriations needed to accomplish the purposes of this section, and additional recommendations on methods to preserve public lakeshore in the state. The commissioner must conduct a field inspection of all lands leased pursuant to Minnesota Statutes, section 92.46, subdivision 1.

Enclosed you will find the results of this reporting requirement. The study of preservation of public shoreland will be submitted separately. It is in the final phase of review now.

Please contact me at 651.296.0915 if you have any questions.

Sincerely,

~~Pamela M. Burke~~

Legislative and Regulatory Services Director

Enclosures: Recipient List
Letter to Rep. Munger regarding Shoreland Study

DNR INFORMATION: 651-296-6157, 1-888-646-6367 (TTY: 651-296-5484, 1-800-657-3929) FAX: 651-296-4799

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1998 Minn. Laws Chap. 389
Art. 16 Sec. 31

The Honorable Bob Lessard
Chair, Environment and Natural Resources Committee
Minnesota Senate
111 Capitol
St. Paul, Minnesota 55155

The Honorable Steve Morse
Chair, Environment and Agriculture Budget Division
Minnesota Senate
G-24 Capitol
St. Paul, Minnesota 55155

The Honorable Mark Holsten
Chair, Environment and Natural Resources Finance Division
Minnesota House of Representatives
345 State Office Building
St. Paul, Minnesota 55155

The Honorable Dennis Ozment
Chair, Environment and Natural Resources Committee
Minnesota House of Representatives
317 State Office Building
St. Paul, Minnesota 55155

The Honorable Bob Ness
Chair, Agriculture and Rural Development Finance Committee
Minnesota House of Representatives
289 State Office Building
St. Paul, Minnesota 55155

The Honorable Barb Sykora
Chair, Family and Early Childhood Education Finance Committee
Minnesota Senate
403 State Office Building
St. Paul, Minnesota 55155

The Honorable Lawrence Pogemiller
Co-Chair, Children, Families, and Learning Committee
Minnesota Senate
235 Capitol
St. Paul, Minnesota 55155

The Honorable Keith Langseth
Chair, School Trust Fund Advisory Committee
Minnesota Senate
122 Capitol
St. Paul, Minnesota 55155



Minnesota Department of Natural Resources

OFFICE OF THE COMMISSIONER

500 Lafayette Road
St. Paul, Minnesota 55155-4037

January 12, 1999

The Honorable State Representative Willard Munger
State House of Representatives
Room 283 State Office Building
St. Paul, Minnesota 55155

RE: "Munger Study on Preservation of Public Shoreland"

Dear Representative Munger:

I wanted to notify you that we are in the final drafting phase of the above-referenced study. As you know, in the 1998 Tax Bill amendment, this report was mandated to be delivered to the House and Senate committees by January 15, 1999. By this note, we are notifying you that we will not be able to meet that deadline. This summer, as you know, Commissioner Sando created a new position of "Lakes Coordinator" at the DNR. Jack Skrypek is now in that position and took over the lead role in accomplishing the work of the study. Jack has done a remarkable job in putting together a thoughtful report. However, we need a few additional weeks to complete the internal review of the report and recommendations and would like to be able to get it out and provide enough time for review by external interest groups.

As a result, we hope you will approve an extension of the deadline to January 31. We feel strongly that the external review and comment will be important in achieving good recommendations on this important topic. I apologize and take responsibility for this delay. I hope that the additional time will provide you with a stronger, more thoughtful product.

Jack would be happy to come over and meet with you and Betty to discuss the draft if you would like to do that prior to the 31st. Thank you for the opportunity to focus our resources on reviewing our internal capabilities and needs to do the best job possible to protect and preserve public lakeshore habitat.

Please don't hesitate to contact me if you have any questions. Thank you very much for your consideration.

DNR INFORMATION: 651-296-6157, 1-888-646-6367 (TTY: 651-296-5484, 1-800-657-3929) FAX: 651-296-4799



Lakeshore Lease Lot Exchange Report

I. Purpose:

The commissioner must submit a report to the chairs of the senate and house environment and natural resources committees; the house environment, natural resources, and agricultural finance committee; the senate environment and agriculture budget division; the senate children, families and learning committee; and the house education committee. This report is the result of field inspections of lands leased under Minnesota Statutes, section 92.46, subdivision 1. The report was to identify all lots containing any unusual resource, (i.e. historical, archeological, sensitive ecological); or unique habitat or with high scenic value; or provide access to adjacent state land; or is part of the trust land Horseshoe Bay. Information is included detailing the Department of Natural Resources (DNR's) work with 11 counties who will be exchange partners as identified in the legislation and who are required to submit a plan to the Land Exchange Board by June 1, 1999 indicating how state lakeshore lease lots will be exchanged for county land. This report is required to be submitted by January 15, 1999 and is required under Laws of Minnesota 1998, Ch. 389, Art. 16, Sec.31.

II. Results:

DNR staff working with county staff conducted field reviews of all sites indicated under the legislation. Informational letters were sent to the chairs of each county board (11) explaining the law and identifying time lines for the study and plan submittal. All lakeshore lot lessees received similar letters detailing requirements under the law.

DNR and county staff met and discussed issues and legislative criteria relative to lot retention and exchange, road access, additional land, sale concerns, title and abstract concerns, costs and surveys and agreed on appraisers to be contracted for determining value of state and county lands. The State Archeologist was hired to review all the lots for potential historic, cultural or archeological significance.

Interim reports were prepared for presentation to the June and September meetings of the Land Exchange Board and a report was made to the Permanent School Trust Fund Committee that oversees school trust land issues. Meetings were held with representatives of the Association of Minnesota Counties (AMC) and the League of Cities reviewing legislative direction and various other issues related to the exchange.

Appraisal review contracts were completed with review appraisers to monitor appraisals submitted and determine if state appraisal standards were met.

Staff field reviews were completed and no sites were identified to meet the requirements to be withheld from the exchange process. The State Archeologist staff indicated that none of the sites reviewed by them would need to be retained, however, 129 lots will be shovel sampled to complete the review and some conditions may be placed on some lots. The review confirmed the recommendation to retain the six Horseshoe Bay lots as referenced in Laws of Minnesota 1997, Chap. 16, Sec. 15.

III. Summary: Appraisal, review, survey, and archeological staff costs.

Expenditure	Cost
Total dollars spent for appraisals to date	\$236,875
Total dollars spent for appraisal review	\$ 52,535
Estimated cost of appraisal and review for additional land where needed (380 lots at \$250.00 each)	\$ 95,000
Estimated cost of surveys required (assumes 20% of the 380 need surveys)	\$114,000
Estimated cost of written legal description work (304 lots remaining)	\$ 61,000
Total cost of archeological review	\$ 16,000
Estimated cost of title work and deed recording (576 lots at \$200.00 each)	\$115,000
Estimated staff cost servicing leases until project completed (over two years)	\$200,700
Estimated staff cost to monitor and process exchanges (over two years)	\$140,000
Total cost estimate	\$1,031,400
Revenue Estimates	\$564,500
FY 99	\$251,000
FY 00	\$188,000 (75%)
FY 01	\$125,000 (50%)
Deficit	≈\$466,900
Deficit with an additional 10% to account for continued land exchange expenses due to site by site road, access, or conformance issues.	≈\$515,000

IV. Joint DNR and county legislative recommendations:

- Change wording to allow some flexibility in process so state and counties can complete process more efficiently.
- Recommend language changes to allow counties to add extra land with state approval.
- Allow counties to add additional land to avoid unmanageable parcels remaining after exchange.
- Allow counties to sell all or part of any extra land acquired from the state in this exchange.
- Exempt state and counties from state deed tax (\$3.30 per thousand of value).
- The progress of land exchanges should be reported as part of a biennial report, as recommended by the Office of the Legislative Auditor in the program evaluation of school trust land, by the Department on the management of school trust land to the Permanent School Trust Advisory Committee beginning June 1, 2000 - June 1, 2005.
- Require lessees to accept or reject county sale offer within 90 days of offer.
- Require county to sell county lots at public sale within four years if lessee does not decide to purchase within the 90 day private sale period.
- Allow appraisal, survey, and abstracting costs to be recovered when the county sells the lots.