

MICHIGAN NATURAL RESOURCES TRUST FUND

BOARD OF TRUSTEES MEETING

Minutes of February 22, 2006
Lansing Community College West Campus, 5708 Cornerstone, Lansing
9:00 AM

The meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees commenced at 9:00 AM.

The following Board members were present:

Bob Garner (arrived at approximately 9:45 AM)
Lana Pollack
Sam Washington

Mr. Hamp and Mr. Torre were not in attendance due to prior commitments.

Also in attendance were various staff members of the Department of Natural Resources (DNR) and other interested parties.

Due to the lack of a quorum at the commencement of the meeting, Chairperson Washington asked that all items on the agenda that required a motion for approval be deferred until the arrival of Mr. Garner.

At this point, Mr. Dennis Fedewa, Chief Deputy; and Ms. Mindy Koch, Resource Management Deputy of the DNR made a presentation on Section 29 tax credits.

Ms. Koch explained that Section 29 is a federal tax credit that was established for the production of nonconventional fuels. This impacted Michigan by the development of the Antrim formation. There was a great deal of production that was initiated due to these tax credits. This impacts the wells that were drilled in the Antrim formation between December 31, 1979 until January 1, 1993.

To qualify for these tax credits, the producer or owner had to hold an economic interest in the gas. The State of Michigan was not eligible for the tax credits, so at a point in time the state decided to sell their tax credit opportunities to the private sector. By selling the tax credits, the state would receive a financial benefit from the sale. The tax credits that the state sold were actually an interest in the gas, so the purchaser had to hold an interest in the gas.

In April of 1997, the group called Motor City Four executed a contract with the State of Michigan to actually purchase the tax credits. It involves approximately 2,700 Antrim wells that are under lease with the DNR that are currently under gas production. Motor City Four purchased the state's royalty interest for \$4.5 million, which was placed in the MNRTF. Approximately 14% of the \$4.5 million went into the Fish and Game Trust Fund with the remainder staying in the MNRTF.

The contract stated that once the state had realized 57 billion cubic feet of gas production, Motor City Four would then take ownership of the gas and would own it until 67.3 billion cubic

feet of gas was reached. Recently, there was a new consultant hired to rectify the numbers related to volume of gas produced, and based on the numbers, the DNR knows that the 57 billion cubic feet occurred June 30, 2005. As of that date, the State of Michigan no longer had a royalty interest in the 2,700 Antrim wells that this contract provided.

As of July 1, 2005, the production from the Antrim wells under contract to Motor City Four is no longer in DNR ownership and will not be until it hits the increment of 67.3 billion cubic feet. The state also received approximately \$30 million as actual purchase of the tax credits. The purchase of the tax credits went into the Environmental Protection Fund as was required by statute.

Looking at current production rates, Motor City Four will receive revenue from about 2,700 wells for approximately 24 months. As a result, there will be implications to revenue coming into the MNRTF, impacting the amount of money available for grants.

Ms. Pollack was surprised that the state did not have a way of tracking gas production. How is it known what the figures actually are? Ms. Koch responded that the DNR actually does know. The DNR rectifies its numbers for production on a monthly basis and use that as a compliance tool for leases and to make sure we are getting property royalties. Compliance audits are also conducted on an as needed basis.

Chairperson Washington advised the audience that when the MNRTF was constitutionalized, the terminology for what monies were due to the MNRTF did not include tax credits.

Mr. Steve Arwood, Executive Director of the Heart of the Lakes Center for Land Conservation Policy, asked Ms. Koch about the target date of June 30, 2005 as to when monies to Motor City Four would be due. To fulfill the contract, essentially for the next two years based on volume, does the Motor City Four own the volume or royalties? Ms. Koch responded they own the royalty interest. The period of 24 months is what the DNR is predicting based on current production levels. Also, the DNR has seen production levels gradually going down and this has been included in the calculation. By "twinning" wells (a method of getting oil and gas out of the ground faster), that could increase production and could reduce the 24-month time frame.

Mr. Fedewa outlined the Section 29 payment projections and what the impact would be on the available net revenue for the MNRTF to award for grants. An information sheet outlining figures was provided to the Board members. It is projected that without the impact of Section 29, in 2006 the MNRTF would have \$35.3 million available for acquisition and development projects. With the impact of Section 29, the MNRTF is projected to have \$27 million available. Funds available for projects will decline in years 2007, 2008 and 2009.

Mr. Fedewa also explained that there is still a large amount of money in the corpus (approximately \$282 million) of the MNRTF. This helps to stabilize the revenue situation. The last year of payments would be in 2009, and the MNRTF would have approximately \$22.5 million for projects. A portion of the \$16 million payment to Motor City Four (\$5 million) was made from the corpus of the MNRTF. For accounting purposes, it was necessary to take this from the corpus. Because of this, there is a permanent reduction in the corpus, thus the interest earnings will not compound at the rate they would have if the money had not been removed.

Discussion ensued on production projections, costs, royalties and tax credits relating to Section 29.

Ms. Pollack asked by what authority the sales were made. Ms. Koch responded that the authority rests with some fairly general enabling legislation which allows the state the ability to sell rights in land. Ms. Pollack asked if these sales will be reviewed by the Board. Ms. Koch responded that in this case it was reviewed by both the Board and the Natural Resources Commission.

Chairperson Washington requested that the Board move down to "Status Reports" on the agenda.

VI. STATUS REPORTS.

DNR Real Estate Report.

Mr. Jim Wood, Manager, Grants Management, DNR, outlined the DNR Real Estate report that the Board had been provided. The report details options that have been made by the Office of Land and Facilities since the Board's last meeting.

Local Projects Completion Report.

Mr. Wood advised the Board that three acquisition projects have been completed since the Board's last meeting. He pointed out that the Hunter's Point Acquisition project, Grant Township being the grant recipient (TF04-104), has been completed and is included in this report.

Lump Sum Report

Mr. Wood outlined the lump sum report.

Ms. Pollack had questions about the lump sum report. She wondered which column showed the 2005 projects the Board approved in December 2005. Mr. Wood responded that none of the 2005 projects were included on the report as the funds have not been appropriated. All projects listed on the report are open and have three years to spend the funds. If funds are not spent within three years, they lapse back to the MNRTF. Mr. Fedewa also added that capital outlay projects have an appropriation life of three years. It can be shortened depending on the discretion of the State Legislature.

Ms. Pollack asked why it takes so long to acquire the land and wondered if the price was locked in or increasing in value. Mr. Robert Couvreur, Manager, Real Estate Services, Office of Land and Facilities (OLAF), responded that lump sum appropriations are given a pool of money to proceed with various acquisitions. What is on the lump sum report is the balance of the project that has not been expended. What are not on the report are the projects that OLAF has under appraisal, option or negotiation. So there are lands that have been committed to the lump sum accounts, but have not been closed on. In the DNR Real Estate report that the Board receives at each Board meeting, this shows properties that have been optioned only and need more work before the property can be closed. Lands to be acquired still must have public comment, DNR Director's approval and go before the Natural Resources Commission for their approval.

Chairperson Washington stated at the last State Parks Advisory Committee meeting, one of the proposals brought up was that the MNRTF provide a \$3 million fund to DNR for the purpose of emergency acquisitions. Chairperson Washington opposed this proposal; however, it may still come before the Board. He is not comfortable with a "slush" fund for land purchase. In the

past when there has been a need to move on an emergency basis to acquire a unique property, conservancies have acted as a “bridge” to acquire it.

Chairperson Washington asked about the Trust Fund bill appropriation and wondered what the status was. Mr. Fedewa responded it is still in draft stage. Chairperson Washington asked if there are any problem areas that would hold up the bill. Mr. Fedewa responded that in the last year or two there has been more scrutiny over capital outlay properties in general, especially lump sums. We are trying to be more proactive with the Joint Capital Outlay Committee and provide maps for acquisition projects for review before the committee hearing on the bill to field any questions or concerns.

At approximately 9:45 AM, Mr. Garner was in attendance at the meeting.

At this point, Chairperson Washington returned to the order of items listed on the agenda.

I. ADOPTION OF MINUTES FOR MEETING OF DECEMBER 6, 2005.

Chairperson Washington called for the adoption of the December 6, 2005 Board meeting minutes.

MOVED BY MS. POLLACK, SUPPORTED BY MR. GARNER, TO APPROVE THE MINUTES OF THE DECEMBER 6, 2005 MNRTF BOARD MEETING. PASSED.

II. ADOPTION OF AGENDA FOR MEETING OF FEBRUARY 22, 2006.

Chairperson Washington called for the adoption of the agenda for the February 22, 2006 Board meeting.

MOVED BY MR. GARNER, SUPPORTED BY MS. POLLACK, TO APPROVE THE AGENDA FOR THE FEBRUARY 22, 2006 MNRTF BOARD MEETING. PASSED.

III. PUBLIC APPEARANCES.

Mr. Geoffrey Fields, Attorney for the City of Benton Harbor; and Mr. Mark S. Mitchell, President and CEO, Harbor Shores – Jean Klock Park.

Mr. Geoffrey Fields, Attorney for the City of Benton Harbor, provided the Board with a preview of a proposal that would involve Jean Klock Park. The city was before the Board last year involving a conversion request for the Grand Boulevard project in Benton Harbor, which the Board approved.

Jean Klock Park is approximately 90 acres and resides along Lake Michigan in the City of Benton Harbor. Over the years, the park has been the recipient of grants from both the MNRTF and the Land and Water Conservation Fund. Mr. Fields explained that the project proposal is known as Harbor Shores. The only property that the City of Benton Harbor owns along Lake Michigan is within Jean Klock Park.

Mr. Fields outlined aspects of the proposal and other properties via a map. The Paw Paw River is located around a former industrial zone, with contamination on both the property and river. What the city has been working on for the last couple of years is a project to try and revitalize

the area by taking advantage of all the open space. Via a map, he outlined the Harbor Shores master plan project, which has changed several times.

The Harbor Shores project is approximately 500 acres and involves The Cities of St. Joseph, Benton Harbor and Benton Township. To jump start the project, there are two paths in St. Joseph on the water that could be developed with marinas. The Whirlpool Corporation owns the property. Whirlpool will donate the property to the developer, Harbor Shores Community Redevelopment. This is a nonprofit corporation comprised of the Whirlpool Foundation, the Cornerstone Alliance and the Alliance for World-Class Communities, which Mr. Mitchell represents.

An agreement was negotiated between the Cities of St. Joseph and Benton Harbor last fall, by which St. Joseph conditionally transferred the property to Benton Harbor. Under a brownfields plan, the property can be sold and the city can take the profits. In addition, the city can use future taxes for the life of the project to pay for all infrastructure work, which includes environmental cleanup. The MEGA Board and the MEDC have approved the projects last fall, and Harbor Shores is in the process of negotiating deals with developers to get the project started. It is hoped that the cleanup can start yet this year.

Mr. Mitchell further outlined aspects of the project. He provided the Board with an information sheet to illustrate additional features of the project. He stated that Berrien County has lost several thousand manufacturing jobs within the past 15 to 20 years. There has been negative population growth between 1970 to 2000. The county-wide school system has declined. By creating the Harbor Shores project, this would be a way to create significant economic revitalization in the county. This project would create an enabler for economic opportunities and leadership development.

Mr. Mitchell also stated that under Public Act 425, which involves traditional land transfer, for the City of St. Joseph to give up 120 acres of riverfront-lakefront property to the City of Benton Harbor for 20 years is a quantum leap forward for these communities. This document has been executed and is in the possession of Mr. Mitchell. In addition, there is an agreement for a county brownfields plan which the county is a mentor.

Mr. Fields explained how the Harbor Shores project would relate to Jean Klock Park. The city has been working with the DNR to come up with a vision for how these things can be a win-win situation. Infrastructure work would be the dredging and cleanup of the Paw Paw River. There is a CSX rail bridge that is approximately four feet over the water. They are working with the CSX Railroad to see how to raise the bridge and open it up to boat traffic.

Another thing that would link the two properties together and make them attractive to developers would be a golf course. In this particular case, the Jack Nicklaus golf course team has been contacted to design a course for revitalization of this area. This would be a Jack Nicklaus signature golf course. There are only about 50 of these golf courses in the world. Mr. Nicklaus himself would come to the course and walk the links, making it an official signature golf course.

The city wants to do two things for Jean Klock Park – expand and improve. In order for a Jack Nicklaus signature golf course to take place, it will be necessary for some use of the water. The city had tried to locate some finishing poles in the park, but as a permanent part of the park, would expand up the Paw Paw River.

Mr. Fields proceeded to outline the MNRTF funded portion of the park for the Board via a map. There is a private road that bisects the park. The city wants to take the road out and build a service drive along M-63. Access to the park would come along where the water plan is to the park and have Grand Boulevard reopen with parking. People would be able to drive down to the beach instead of having to park at a quaint parking lot one hundred yards from the beach.

Mr. Fields stated that in conversations with the DNR, various ways to modify the grant agreements were discussed. He could make the argument that a public golf course is an outdoor recreation use. What the city will be proposing to do is seek another conversion request for this property, which will involve appraisals, environmental assessments, and mitigation. What the city is proposing to mitigate is to take approximately 30 acres of land, including property along M-63 and the Paw Paw River, to expand Jean Klock Park permanently and closer to what it was originally envisioned to be.

Ms. Pollack had questions about the golf course. Mr. Fields said this would be a public golf course. He did not know how much it would cost to use it, since it is to be a signature course. One of the proposals on the table is to charge a park admission fee to the golf course so that money could be used for maintenance of the park. These are details that will be worked out in the operating agreement. Ms. Pollack was concerned about the pesticides and herbicides that would be used for the golf course.

Mr. Tom Bailey, Executive Director, Little Traverse Conservancy.

Mr. Tom Bailey, Executive Director of the Little Traverse Conservancy, addressed a question that Ms. Pollack had raised on how long it takes to get some projects going. He stated that Little Traverse Conservancy is working hard with the DNR on the Lee Grande Ranch project, which Phase I has been appropriated. Phase II has not yet been appropriated. He wanted to acknowledge the hard work that Mr. Ed Meadows and Mr. Bob Couvreur of the DNR have put into this very complicated acquisition. As soon as the Legislature appropriates Phase II, the Conservancy and DNR will try and expend the funds as quickly as possible.

Mr. Bailey provided the Board with an aerial photograph of Big Rock Point. This is a property near the City of Charlevoix. It was known that one day the nuclear power plant at Big Rock Point would be decommissioned. The plant is surrounded by some incredible natural land—forested and largely wetlands with a mile and a half of shoreline on Lake Michigan. Little Traverse Conservancy has been active in this area acquiring land and conservation easements. The Conservancy did a project with the Little Traverse Bay Bands of Odawa Indians in establishing their first conservation property in the area.

Mr. Bailey advised the Board that Little Traverse Conservancy has nominated the Big Rock Point project (06-803) for possible acquisition by the DNR. The Conservancy will continue to work with the DNR to work out term negotiations. There are many details involved with this project. There is very little left of the nuclear power plant, and by the time the decommissioning process is complete, there will be no structures on the property except a former water intake line which will be filled with concrete. All buildings and other structures will be gone. The only thing that will remain is the intermediate spent fuel storage installation (ISFSI).

Mr. Bailey also pointed out that when the visitor's center for Big Rock Point power plant was operating back in the 1960s, this was the number one tourist destination draw in the State of Michigan, with hundreds of thousands of visitors. Acquisition of this property would be a great asset for visitation and public use.

Ms. Pollack asked who the authority was in the state that has knowledge of nuclear issues. Mr. Bailey responded that there is some authority within the Department of Environmental Quality (DEQ) that deals with peripheral matters. Most of the authority is with the Federal Nuclear Regulatory Commission. The company will have to obtain a “clean bill of health” from the Nuclear Regulatory Commission before the property is released from the licensing requirements. Ms. Pollack asked if the nuclear waste will continue to be stored on the site. Mr. Bailey responded that it is his understanding that eight tanks of material, including spent fuel, will remain on the site. That part of the site will not be conveyed and will remain the property of the company. It is under 24-hour armed guards. Ms. Pollack has an extreme concern regarding public safety.

Mr. Patrick Brown, Director, Michigan Natural Features Inventory.

Mr. Patrick Brown, Director of the Michigan Natural Features Inventory (MNFI), provided a PowerPoint presentation outlining a project that may help the MNRTF identify and rank lands ecological value in Michigan. This project has both short- and long-term efforts that are supported by the DNR’s Wildlife Division. It is the goal of both efforts to identify lands ecologically most needed for conservation stewardship.

Short-term evaluation, which will be completed in one year, includes:

- A GIS-type approach, using current information available.
- Create a “Conservation Gazetteer”.
- Show lands of high, medium and low conservation priority.
- Criteria will be developed in consultation with the DNR’s Wildlife Division and The Nature Conservancy.

Short-term evaluation will identify lands that are:

- Ecologically sensitive, such as riparian zones and wetlands.
- Ecologically important forests, wetlands, grasslands and other natural communities.
- Important for biodiversity.
- Important for rare species and communities.
- Important for ecological services.
- Irreplaceable in characteristics.
- Needed for adequate representation of natural communities.
- Threatened.

The long-term analysis includes:

- More thorough analysis based upon more data—address data gaps.
- Field investigations of plants, animals and natural communities.
- Produce much more accurate and detailed analysis.
- With current funding, will take about 20 years to complete.
- Strong linkage with land use planning in Michigan.
- Products—improved Conservation Gazetteer and internet-delivered maps and databases.

Ms. Pollack asked if the scoring system takes into account the scientific, ecological information for the site. Mr. Wood responded that it does. There are a couple of different criteria on the

list—Significant Natural Resources and Access to Inland Waters and to some extent, Fishing, Hunting and Other Wildlife Opportunities. It incorporates that type of information as far as relating to the quality of habitat, wetlands and things of that nature. So there already are current criteria opportunities to use whatever available information we have on resource quality. Ms. Pollack stated that at some future meeting she would like to discuss criteria and the scoring system. She would also like to discuss how the MNFI information would fit into the Board's decision-making process.

Mr. Mark Randolph, Executive Director, Grass River Natural Area.

Mr. Mark Randolph, Executive Director of the Grass River Natural Area, made a presentation to the Board on a parcel of land Antrim County is proposing to acquire. The natural area is near the City of Traverse City in Antrim County and just east of Torch Lake. The area is 1165 acres in size at the present time. He further outlined the area via a map.

Mr. Randolph asked the Board for some input as the Grass River Natural Area has the opportunity to pick up the north shore on Lake Bellaire, which would be 155 acres, a half mile of the Intermediate River and 9/10ths of a mile on Lake Bellaire. Antrim County has asked Mr. Randolph to acquire the property on their behalf and the Grass River Natural Area would manage it, even though it is not connected with the natural area.

Mr. Randolph would like to include an additional three parcels that he identified via a map. This is on the north end of the Grass River and Lake Bellaire.

Chairperson Washington asked what the cost of the acquisition would be. Mr. Randolph responded the total cost would be \$2.6 million. We would request \$1.6 from the MNRTF. Chairperson Washington asked what the access was like. Mr. Randolph responded that there is an improved road and there are soccer fields at the north end of the Hunt Club. There are about 20 acres that are included in the Village of Bellaire and with the other 130 acres, there is good access north and then swamp area. Chairperson Washington asked where the access was to the lake. Mr. Randolph stated that there are two accesses and pointed these out via a map.

Mr. David Heyboer, Chairman, Friends of the White Pine Trail.

Mr. David Heyboer, Chairman of the Friends of the White Pine Trail, stated that at the Board's last meeting the "Friends" presented a proposal for a name change on the White Pine State Trail, which would add a major donor's name to the existing name. The major donor would be providing \$1 million to the White Pine State Trail for trail improvement. This proposal was presented to the Board at their December 6, 2005 meeting.

With this donation of \$1 million, it would leverage close to \$6 million. This would help the state, as well as the local match of \$2.24 million for a grant through the National Transportation Enhancement.

Mr. Heyboer asked if there was any update on the current decision for the name change. If there is more information the "Friends" need to provide the Board, they would like to know. He wanted to remind the Board that this is a windfall for the state parks. There are a lot of communities looking forward to the White Pine Trail being improved from Grand Rapids to Cadillac. He feels the ability to recognize donors in the fundraising community are extremely important.

Mr. Heyboer is hopeful to receive a positive ruling from the Board for the name change as it meets the criteria.

Ms. Pollack stated that the Board Subcommittee did meet and the Board's site names policy (Board Policy 92.3) was discussed. Mr. Heyboer asked if the subcommittee had come up with a proposal. Ms. Pollack responded no. She does feel the "Friends" deserve an answer, but it won't be today.

Ms. Pollack asked where the match was projected to come from. Mr. Heyboer responded that they have spoken with the Michigan Department of Transportation Enhancement Section and with the \$1 million from the donor, the "Friends" would have the 20 percent match to cover the additional money which it would take to finish the White Pine Trail to Cadillac, as they have perceived what the costs were at the time the proposal was put together. Ms. Pollack asked if the "Friends" was asking the Board for funding. Mr. Heyboer responded no. The "Friends" will raise whatever money it takes to finish the trail separate from the MNRTF. All the "Friends" are asking for is the ability to add the donor's name to the trail so they can get the \$1 million donation. They are in a holding pattern at the present time. It is in the package of the West Michigan Trails and Greenways Coalition's \$27 million fundraising project, but we need to know where we are at. If one group gets on board, it tends to pull others in.

Mr. Shea Charles, City Manager, City of Howell.

Mr. Shea Charles, City Manager for the City of Howell, made a presentation on behalf of the Howell Area Recreation Authority. This authority was just formed last month. He provided the Board further information on the authority:

- Authority was formed with the City of Howell, Marion Township, Genoa Township and Oceola Township.
- Is pursuing an operational millage in August 2006.
- In the fall of 2005, it came to the attention of partnering communities that the City of Detroit was disposing of surplus property, including a 200-acre park in Genoa Township. This park has been referred to as the Detroit Fresh Air Camp and was originally established to provide inner city youth with an outdoor experience. It is developed with lake access and located within the authority's boundaries.
- A 2001 study demonstrated an open space shortage of roughly 200 acres. There is a need for ball fields, tennis courts, playgrounds, trails, etc.
- Authority would like to partner with the City of Detroit to save the Detroit Park. At this point the authority is not in a position to acquire the property, and is looking for potential funding sources to assist in the acquisition. The authority is in discussions with the Trust for Public Land to assist with the acquisition through interim financing.

Chairperson Washington stated that his problem with this proposal is he does not want to see us use public money to buy public property. Mr. Charles stated he understands this concern;

however he feels this is a unique situation. This is an open space that was created a number of years ago, and secondly, this is an asset of the City of Detroit which is in financial distress. Mr. Charles stated at this point the authority is not asking for MNRTF funding. A year from now the authority will know if there will be a millage in place. What he is asking today is if there is any way to assist the authority in working with the City of Detroit to delay their sale until the authority can get funding together. Mr. Garner suggested that Mr. Charles talk to Mr. Tom Woiwode, Director of the GreenWays Initiative to discuss this.

Ms. Pollack asked how big the property was. Mr. Charles responded it was 200 acres. Ms. Pollack asked if an appraisal had been done. Mr. Charles responded no. Ms. Pollack wondered if there were firm rules on giving a grant to a public entity to buy property from another. She feels that the authority should spend their fair share towards this acquisition, but she does not want to take a firm stand that if it is in public ownership already a grant cannot be given. Mr. Garner responded that to some degree the Board has given a grant to one community to another (Commerce Township with Michigan Department of Transportation property). The MNRTF came up with a portion of the property cost.

Chairperson Washington stated that the City of Detroit has substantial assets that are in jeopardy. One of his concerns is that the city is going to sell off assets until it comes to the point of the zoo being the next domino to fall. He understands Mr. Charles' concern that if we allow land to go to development, then we are breaking a precedent.

Mr. Tom Woiwode, Director, GreenWays Initiative.

Mr. Tom Woiwode, Director of the GreenWays Initiative, made a presentation on the MNRTF's investments in the City of Detroit. He outlined an opportunity to build on these investments. The Board has created Special Initiatives to focus attention on specific opportunities. For calendar year 2007, he would like to suggest that a Special Initiative be created for Southeast Michigan Greenways.

Mr. Woiwode also offered a process that would form the Special Initiative. Over the next three months, each of the seven counties within Southeast Michigan and the City of Detroit are conducting a planning workshop that will engage every municipality in each of the seven counties. It will also engage nonprofit organizations that cross county boundaries (watershed councils, conservancies) and the general public. As each of the seven counties completes their process, a greenways plan will be developed. In the fall, all seven counties, the City of Detroit and 250 municipalities in the Southeast Michigan area will have an opportunity to comment on the regional plan. The general public will also be invited to participate. The product will be a regional greenways plan. A hard copy of this plan will be made available to Grants Management and to the MNRTF Board. A website will be available to the planning agencies, as well as the public.

Mr. Woiwode stated that creation of a Board Special Initiative for Southeast Michigan Greenways would make a profound statement to the municipalities who have participated in the regional greenways plan.

IV. OLD BUSINESS.

Board Policy 94.1 – Use and Conversions of MNRTF Project Areas - **FINAL ADOPTION.**

Mr. Wood outlined Board Policy 94.1 – Use and Conversions of MNRTF Project Areas, which was deferred from the Board’s December 6, 2005 meeting. Recommended changes to this Board policy were brought before the Board last October. Essentially the changes are centered on the idea of providing more opportunity for the public to have review of a community’s plans for a conversion.

Ms. Pollack asked if the bolded text was the new language in the policy. Mr. Wood responded yes. Ms. Pollack wondered if the language on Page 4, 8) b), regarding 30 days to review, was the normal length of time for review. Mr. Wood responded he was not sure what “normal” would be, but that is the period of time that we use in the recreation planning guidelines. Mr. Garner added the Natural Resources Commission uses this same amount of time for review.

Ms. Pollack also asked about the language on Pages 2-3, 4), ii), regarding indoor recreation facilities. She asked if this meant indoor facilities would be added if it does not impact on the existing uses of the site and wondered if this includes aesthetics. Mr. Wood responded yes, aesthetics are an important part. We recently had a community considering a conversion involving a small building. In reality it would have changed the whole nature of the park. Ms. Pollack wished to modify the sentence to read “... ***if the placement of these facilities does not impact the existing uses of the site, INCLUDING AESTHETIC CONSIDERATIONS.***”

MOVED BY MR. GARNER, SUPPORTED BY MS. POLLACK, TO APPROVE BOARD POLICY 94.1, USE AND CONVERSIONS OF MNRTF-ASSISTED PROJECT AREAS, WITH THE MODIFICATION TO PAGE 2-3, 4), ii), LAST SENTENCE TO READ “...IF THE PLACEMENT OF THESE FACILITIES DOES NOT IMPACT THE EXISTING USES OF THE SITE, INCLUDING AESTHETIC CONSIDERATIONS.” PASSED.

Kal-Haven and Van Buren Trails Lease Update – Mr. Paul Yauk, Parks and Recreation Division, DNR.

Mr. Paul Yauk from the Parks and Recreation Division, DNR, provided the Board with an update of negotiations with Van Buren County. The division has a lease arrangement with the county. It follows the standard lease document with the exception that it references fees. The division has letters of support from neighboring communities along the trail. This involves 34 miles on the Kal-Haven Trail and 17 miles on the Van Buren Trail.

Chairperson Washington asked if this would be consistent with the normal fee structure that is on the other DNR trails. Mr. Yauk responded that the fee system has been removed from the other trails, so there are not fees. This is the old fee structure that was charged a few years ago and was removed in 2002. Chairperson Washington asked if this was removed because the funding for the trails is coming from a source other than fees. He wondered why the DNR removed the fees. Mr. Yauk responded that he believes the DNR was asked to remove the fees on the State Park trails. There are another 1100 miles of trails that Forest, Mineral and Fire Management Division maintained and operated and there was no fee charged. The DNR is looking for consistency.

Chairperson Washington asked how it is proposed to collect fees on this trail. Mr. John Fall, County Administrator for Van Buren County, responded this would be a consortium of efforts. The Kal-Haven Trail begins in Kalamazoo County and runs to Van Buren County. As to how fees are proposed to be collected on the trails, Van Buren County has worked with the "Friends of the Kal-Haven Trail" and used their database to identify vendors who would collect and turn the money in. In addition, the county has worked with Michigan State University Extension.

Mr. Fall further stated that in 2004, the county was asked to operate the trail with a one-year use permit. In that year, the county was successful in collecting revenues of approximately \$70,000. Expenses were \$40,000. The county was asked to take over the trail for another year, and in that year revenue received was approximately \$72,000. Expenses were \$65,000 as some trail improvements and emergency repairs were done. Towards the end of last year, the process stopped as the county did not know if the lease was going to be approved for 2006 or if the county was going to be allowed to charge fees. The projection of revenues in 2006 is estimated at \$60,000.

Mr. Fall stated the county asks for the Board's support with charging fees on the trail.

Ms. Pollack asked if anyone would get arrested if they are on the trail without paying the fee. It seems like it is like an honor system to use the trail. Mr. Fall responded it is like an honor system, although there is staff that patrols the trail in an ATV and there are check points. If they do not have a pass they will not be ticketed, but will ask them to comply next time. Chairperson Washington asked if it was possible for low-income citizens to use the trail without their being a problem. Mr. Fall responded that through a special request the county has the ability to give special use permits, and will offer special incentives for groups or special events.

Ms. Pollack stated that the Board's Subcommittee discussed fee issues at their meeting. This subject was also deferred as it was determined that the subcommittee needed additional information. The subcommittee wanted to identify communities' fee structures and perhaps meet to discuss. Grants Management will provide this information for the Board. Ms. Pollack further stated that there needs to be in place a well-publicized system where families that are at the poverty-level could qualify to use the trail with an annual pass. Possibly they could be charged one dollar for this annual pass. Chairperson Washington added that perhaps passes could be supplied from the Secretary of State offices. He did not want people to feel stigmatized by getting a free pass, and felt they should pay a nominal fee.

V. NEW BUSINESS.

TF03-206, Battle Creek Natural Area, Whitewater Township – PROJECT CHANGE REQUEST.

Mr. Wood referenced the memo the Board had received in their materials regarding the project change request for TF03-206, Battle Creek Natural Area, Whitewater Township. He informed the Board that representatives from the township were in attendance if additional information was needed.

Mr. Wood outlined the request for the Board's information. In 2003, the township received a grant to acquire 500 acres of land, 2300 feet of Elk Lake shoreline and two miles of frontage along Battle Creek. The original project included acquisition of three parcels which were under different ownership. In March 2005, the township requested that the project area be revised to delete the 120-acre southernmost portion of the GRAB, Inc. property as the landowner was no

longer willing to sell. This project change was granted by Grants Management, as it was less than 30 percent of the total acreage.

In January 2006, the township requested the project area be changed by deleting the remaining 140 acres of the original 260-acre GRAB, Inc. property, as the landowner has been unwilling to come to an agreement with the township.

MOVED BY MR. GARNER, SUPPORTED BY MS. POLLACK, TO APPROVE THE PROJECT CHANGE REQUEST FOR TF03-206, BATTLE CREEK NATURAL AREA, WHITEWATER TOWNSHIP BY A REDUCTION OF ACREAGE FROM 380 ACRES TO 240 ACRES, AS PRESENTED BY STAFF. PASSED.

TF02-137, Brady Street/Riverfront Boardwalk Development, City of Allegan – PROJECT CHANGE REQUEST.

Mr. Wood outlined the project change request for TF02-137, Brady Street/Riverfront Boardwalk Development, City of Allegan. The city has been unable to obtain the necessary site control to construct the boardwalk along the Kalamazoo River, as they needed to obtain an easement from the Perrigo Company. The Perrigo Company is no longer willing to issue an easement to the city.

The city is proposing to reduce the scope of the project by deleting the riverfront boardwalk and associated retaining walls and lighting, with the remaining scope items being a canoe launch and fishing area.

MOVED BY MR. GARNER, SUPPORTED BY MS. POLLACK, TO APPROVE THE PROJECT CHANGE REQUEST FOR TF02-137, BRADY STREET/ RIVERFRONT BOARDWALK DEVELOPMENT, CITY OF ALLEGAN BY ELIMINATION OF THE BOARDWALK, RETAINING WALLS AND LIGHTING, AS PRESENTED BY STAFF. PASSED.

Office of Land and Facilities (OLAF) Annual Acquisition Report and Lump Sum Expenditure Approval – Mr. Bob Couvreur, Manager, Real Estate Division, OLAF.

Mr. Bob Couvreur, Manager of the Real Estate Division, OLAF, outlined a request for a lump sum expenditure for Board approval from Parks and Recreation Division (\$1.83 million).

Mr. Wood added that when a lump sum acquisition is over \$500,000, it is brought to the attention of the Board. The DNR has not had a lump sum acquisition over \$500,000 in several years. There is not a Board Policy on this issue, but staff would like the Board's concurrence for the acquisition.

Mr. Couvreur further stated that this acquisition is ready to be acquired. The purchase was approved to use \$1.83 million of Land Exchange Facilitation Funds. Currently, the DNR does not have that balance in this fund. Rather than holding up the acquisition, the Parks and Recreation Division is asking approval to use MNRTF funds from their lump sum account. A significant land sale of 125 acres of land that were once part of the Brighton State Recreation Area is pending and anticipated to close soon. Once proceeds are received from this sale, they will be put back into the MNRTF. If the sale does not happen this fiscal year, the DNR may have to let the lump sum purchase stay with MNRTF monies.

MOVED BY MR. GARNER, SUPPORTED BY MS. POLLACK, TO APPROVE THE LUMP SUM REQUEST FROM PARKS AND RECREATION DIVISION, IN THE AMOUNT OF \$1.83 MILLION, AS PRESENTED BY STAFF. PASSED.

MOVED BY MR. GARNER, SUPPORTED BY MS. POLLACK, FOR MS. POLLACK TO ASSUME THE CHAIRPERSONSHIP OF THE MEETING, AS CHAIRPERSON WASHINGTON NEEDED TO LEAVE DUE TO ANOTHER COMMITMENT. PASSED.

At this point, Mr. Couvreur provided a PowerPoint presentation of the DNR's real estate accomplishments over the previous year. The DNR's mission is their commitment to conservation, protection, management use and enjoyment of the state's natural resources for current and future generations. The DNR administers 4.5 million acres of land, and nearly 6 million acres of mineral rights.

Transactions in FY 2005 included:

- Land Purchases – 27 parcels, 2,012.8 acres - \$5 million.
- Conservation Easements Purchased – 2 easements, 49,211 acres - \$11 million.
- Sales of Land – 38 parcels, 564.35 acres - \$3.4 million.
- Exchanges of Land – 20 exchanges, 940.43 acres for 1,294.94 acres.
- Gifts of Private Land – 4 gifts, 5.55 acres.

Mr. Couvreur stated that there are two types of MNRTF awards: Line Item (purchase of land that was specifically identified at time of application) and Lump Sum (award of dollars for purchase of unspecified lands).

Lump Sum awards are important for the following:

- Allows the purchase of key in-holdings within Park and Recreation Areas, Forest Areas and Wildlife Areas, as well as segments of Trailways and Public Water Access Sites.
- Lands are enhanced and better managed in blocks instead of "checkerboard ownership" that currently exists in many areas.
- Opportunities are often temporary and short-lived and the Department must move quickly.
- Measured by requirements for appraisals, public notices and Natural Resource Commission (NRC) meetings before Director approval.

Balances in the lump sum accounts are always tempered by the fact that the DNR has property under appraisal, under option, awaiting title work or in closing. Lump sum awards have become smaller over the years, as well as acres acquired.

Land purchase timeline is as follows:

- April 1 – application deadline.
- December – MNRTF Board adopts list of awards.
- June – typical time for Legislature to appropriate funds – making the total time from application to appropriation 14 months.
- Appraisal – 45-60 days.

- Negotiation and option.
- NRC review – 30 days from option.
- Director approval – generally same day as NRC review.
- Title review by Attorney General – 4-8 weeks.
- Closing – 2 weeks – making this total time 5 months or longer.

Closing costs on land purchases include:

- Real Estate Taxes – prorated from date of purchase.
- Title Company Fees – title work, title insurance and closing fees.
- Deed Recording Fee.
- Transfer Fee – 0.086% of purchase price.

In 2005, the MNRTF awarded the DNR funds for ten projects. These are awaiting legislative appropriation.

In 2004, the MNRTF awarded the DNR funds for eight projects. The status of these projects is as follows:

- CMS Arcadia Dunes Phase II – closed.
- Lee Grande Ranch – under option.
- Lighthouse West – awaiting Phase II funds.
- Brule/Menominee River – in negotiation.
- Kamehameha CE Phase III – awaiting Attorney General title review.
- Three Lump Sum Awards – various stages.

In 2003, the MNRTF awarded the DNR funds for eight projects. The status of these projects is as follows:

- CMS Arcadia Phase I – closed.
- Kamehameha CE Phase I – closed.
- Six Lump Sum Awards – various stages.

DNR MNRTF land acquisitions completed in FY 2005 include:

- Conservation Easements – 2 - total acreage 49,211 - \$10,975,000.
- Fee Purchases – 11 – total acreage 1,308.4 - \$2,523,000.

Other transactions include:

- Sales of Land Acquired with MNRTF – 5 – total 30.46 acres - \$373,000. Sales are done to resolve trespass or boundary issues; release excess lands; allow access to private lands; and release lands that have become non-essential due to changes in adjacent land uses. Revenues from sales are deposited into the MNRTF.
- Easements Granted – 30 - \$243,000. Easements are granted for utilities to private lands, pipelines for oil and gas, roadways and access to private lands. Revenues from granting easements are deposited into the MNRTF.

- Leases – are granted to other entities, typically local governmental agencies to operate and maintain lands purchased with MNRTF funds. Lessees are required to comply with program restrictions on use.

Issues include:

- Time from request to appropriation.
- Inability to appraise property prior to appropriation.
- Inability to option property prior to appropriation.
- Openness of process.

Mr. Couvreur offered a solution to expediting land purchases. This would involve awarding the DNR a lump sum toward the purchase of line item projects. This flexibility will allow the DNR to act on those priority purchases that can be accomplished within the appropriation.

Mr. Garner believes the DNR needs to have flexibility in acquiring land. Ms. Pollack asked about the structure of such a fund. Mr. Couvreur responded that it would be a modification of the line item and lump sum awards. Ms. Pollack suggested that this be discussed further when all Board members were present.

2006 Nomination Report.

Mr. Wood advised the Board that three nominations were received.

2006 Recreation Grant Application Package.

This was provided in the Board's package. No discussion.

VII. OTHER MATTERS AS ARE PROPERLY BROUGHT BEFORE THE BOARD.

None.

VIII. ANNOUNCEMENTS.

The next meeting of the Michigan Natural Resources Trust Fund Board is scheduled for 9:00 AM, Wednesday, April 19, 2006, Clarion Hotel and Conference Center, 3600 Dunckel Drive, Lansing, Michigan.

IX. ADJOURNMENT.

No official motion was made to adjourn due to lack of a quorum of the Board. The meeting concluded at 11:45 AM.

Sam Washington, Chairperson
Michigan Natural Resources Trust Fund
Board of Trustees

James Wood, Manager
Grants Management

DATE