



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF NATURAL RESOURCES  
LANSING



KEITH CREAGH  
DIRECTOR

March 9, 2015

TO: Keith Creagh, Director

INFORMATION: Natural Resources Commission

Transaction: LATE MEMO  
Sale of certain Surplus Department of Natural Resources-Managed Land and Minerals, Exchange of Other Lands, and Sale of Option of Other Lands  
Forest Resource Division, Sault Ste. Marie and Newberry Forest Management Units – Luce and Mackinac Counties  
Graymont Sale and Exchange  
Land Transaction Case #20130281

Sale/Exchange: Sale: Tract A of 1,006 acres (North Hendricks)  
Exchange: Tract B of 671 acres (South Hendricks)  
Exchange: Tract C of 159 acres (East Quarry)  
Sale: Tract D of 7,026 acres (minerals only of Underground Area)  
Sale: Tract E of 778 acres (East Rexton Area)  
Option: Optioned State Land of 535 acres

Sale Price: Tract A offer of \$2,392,332 plus Limestone/dolomite royalty of \$0.30/ton  
Tract B offer of \$634,275 of exchange lands plus Limestone/dolomite royalty of \$0.30/ton  
Tract C offer of \$85,391 of exchange lands plus Limestone/dolomite royalty of \$0.30/ton  
Tract D offer of \$77,293 plus Limestone/dolomite royalty of \$0.30/ton  
Tract E offer of \$1,340,307 plus Limestone/dolomite royalty of \$0.30/ton  
Option offer of \$20,000

Description: See attached Exhibit A & B from Graymont application found online at [www.michigan.gov/graymontproposal](http://www.michigan.gov/graymontproposal).

Applicant(s): Graymont (MI), Grand Rapids, Michigan

Authority: Natural Resources and Environmental Protection Act, 1994 PA 451, as amended.

Notice: This item will appear on the Department of Natural Resources (Department) March 10, 2015, calendar, and is eligible for approval on March 17, 2015. The transaction is also posted in a local newspaper as required by statute.

- Acquired: The desired lands were acquired by tax reversion from 1924 to 1939 & 1988, Federal Government Exchange from 1931 to 1941, Exchange in 1931 and 1956 and by Purchase in 1945 with State Game Funds. All of the exchange parcels hold tax reversion status.
- Minerals: Applicant desires to obtain all mineral rights under each tract, except Tract D where minerals above the bedrock are reserved for the State. Applicant will pay 30 cents per ton of limestone or dolomite removed from mine. Included in the purchase price of each parcel is \$10 per acre for other minerals.
- Comments: This memo summarizes a March 6, 2015 revised Land Transaction Application submitted by Graymont. A complete copy of the application is found online at [www.michigan.gov/graymontproposal](http://www.michigan.gov/graymontproposal). Department officials have met with the applicant to address concerns previously identified. Those items of significant concern to the Department included:
- a) Royalty rate and minimum annual royalty payment: Applicant has increased the proposed royalty rate from 18.75 cents/ton to 30 cents/ton. Applicant has proposed a minimum annual royalty to begin in 2020 and has committed to creating a regional economic development fund that will provide \$100,000 a year starting in 2015. Department officials find the royalty rate and minimum royalty acceptable.
  - b) Lack of consideration of timber and mineral value: Applicant has now included timber consideration in the purchase of Tracts A and E. Exchange parcels for Tracts B and C will include equal or greater forest values in addition to land value in consideration of exchange lands by staff. Non-royalty minerals were valued at \$10/acre. Department officials find the language acceptable.
  - c) Final decision authority on land use and infrastructure such as roads, trails, mining structures, etc. on all parcels: Applicant has addressed this concern by including consultation, mediation and arbitration language to recognize both public and Department input in land use decisions. Department officials find the language acceptable.
  - d) Inclusion of Tract C in the application: Applicant has included language to address potential impacts to an adjacent facility. Department officials find the language acceptable.
  - e) Adequate wetland protection and trail easement assurances in Tract E: Applicant has included language to ensure impacts to wetlands in Tract E are minimized and trail easements for public use are provided. Department officials find the offered wetland concept and trail easement language acceptable.

f) Failure to agree on a process for land exchanges: Applicant has revised the process for land exchanges. If this LTA is approved, Department will immediately begin to work with the applicant to complete the exchanges. Department officials find the process acceptable.

g) Uncertainty involving the scope and timing of economic benefits to local communities: Applicant is developing a regional economic development fund to provide grants for local units of government, schools and/or small business. Department officials find this approach acceptable and expect further detail on the local economic benefits prior to director decision.

Proceeds from sale of land will be deposited into the Land Exchange Facilitation Fund (LEFF). The LEFF allows the Department to sell rights in land and deposit the proceeds in a fund which can then be used to acquire replacement property.

Royalties from limestone and dolomite will be deposited into the Park Endowment Fund or its successor.

Proceeds from timber consideration fees will be deposited into the Forest Development Fund.

Engagement:

Sovereign tribal governments have submitted letters of opposition to the sale or exchange of land proposed in earlier versions of this LTA. Counties and townships that are directly affected have generally supported the LTA. Trout Lake Township has opposed this LTA. Individual citizens and organizations have submitted comments generally in opposition to the LTA. Many of the issues identified in earlier versions have been addressed.

A public meeting was held in Newberry on January 28, 2015. Approximately 400 people were in attendance. Testimony generally followed two lines of comment. The first is that there is support for creation of jobs and economic opportunity through mining in the area. The second line of comment was that the proposal would have irreparable environmental consequences. Public comment will continue to be gathered until the director makes a decision.

Consultation with sovereign governments of federally recognized tribes concerning the third version of the LTA occurred on January 28, 2015. Discussion topics ranged from technical aspects of the proposal to, most importantly, the impact of the LTA on the exercise of treaty rights in the 1836 Treaty area.

Recommendation: The applicant has submitted a revised LTA that has addressed the significant issues identified in the January 13, 2015 memo. Based on these revisions, Department officials recommend approval of the LTA, as detailed below. The language of the revised LTA may be further modified by DNR and Graymont to clarify meaning and address technical issues.

The Department recommends a disposition through negotiated sale of Tract A subject to terms and conditions agreed to in the LTA.

The Department recommends a disposition through exchange of Tract B subject to terms and conditions agreed to in the LTA.

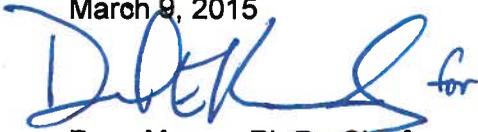
The Department recommends a disposition through exchange of Tract C subject to terms and conditions agreed to in the LTA.

The Department recommends a negotiated sale of minerals and surface use rights in and under Tract D subject to terms and conditions agreed to in the LTA.

The Department recommends a disposition through negotiated sale of Tract E subject to the terms and conditions agreed to in the LTA.

The Department recommends granting a 10-year option to Graymont to purchase an easement for a transport corridor, subject to terms and conditions agreed to in the LTA.

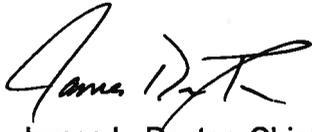
The director has the authority to approve or deny portions of the LTA and/or Tracts of land within the LTA.



Russ Mason, Ph.D., Chief  
Wildlife Division



William O'Neill, Chief  
Forest Resources Division



James L. Dexter, Chief  
Fisheries Division



Ronald A. Olson, Chief  
Parks and Recreation Division



William E. Moritz, Ph.D.  
Natural Resources Deputy



Mark H. Hoffman  
Chief Administrative Officer

I approve the staff recommendations

Keith Creagh  
Director

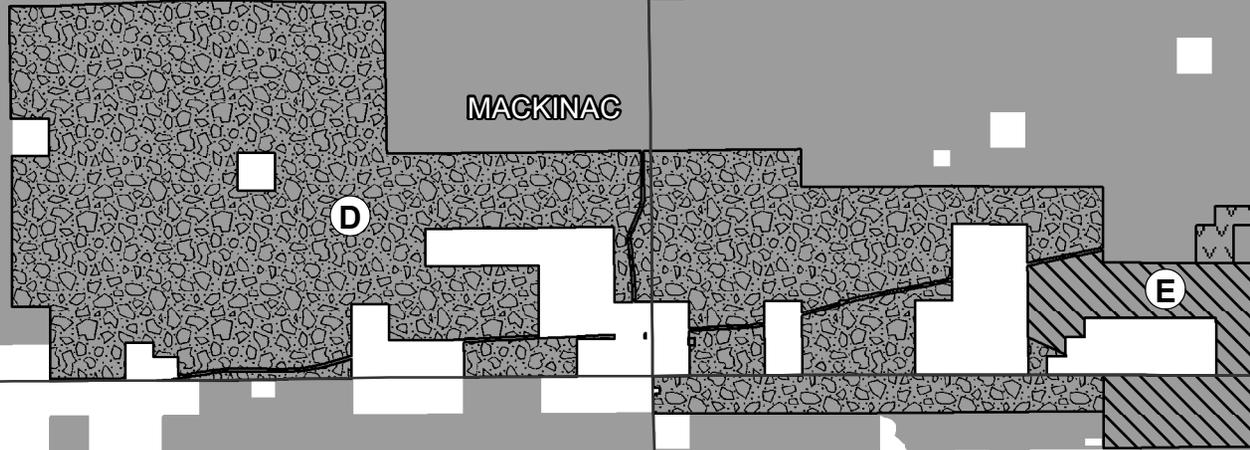
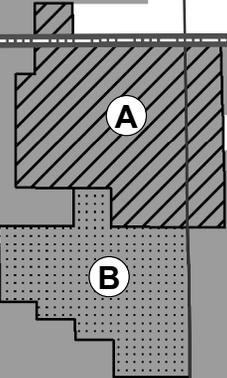
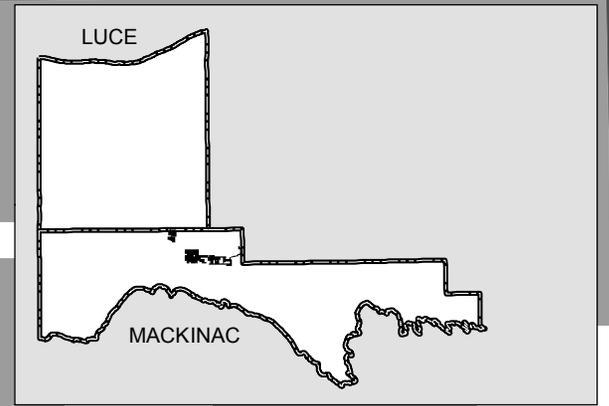
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Date Approved

**SALE OF CERTAIN SURPLUS DEPARTMENT OF NATURAL RESOURCES-MANAGED LAND AND MINERALS,  
 EXCHANGE OF OTHER LANDS, AND SALE OF OPTION OF OTHER LANDS, FOREST RESOURCES DIVISION  
 Sault Ste. Marie and Newberry Forest Management Units -- Luce and Mackinac Counties  
 The Graymont LTA -- Land Transaction Case #20130281**

LUCE

CHIPPEWA

-  A North Hendricks 1,006 acres -- Purchase
-  B South Hendricks 671 acres -- Exchange
-  C East Hendricks 159 acres -- Exchange
-  D Underground 7,026 acres -- Minerals Only
-  E Plant Buffer 778 acres -- Purchase
-  Option for Easement 535 acres -- 55 acre Easement
-  State Land
-  Private Land



DNR -- Finance & Operations Division  
 Real Estate Services Section  
 03/09/2015

