

MICHIGAN NATURAL RESOURCES TRUST FUND

BOARD OF TRUSTEES

Minutes of April 17, 2013

Ramada Inn and Conference Center, 7501 West Saginaw Highway, 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:

Brad Canale  
Sam Cummings  
Bob Garner

Director Creagh and Mr. Charters were not in attendance. Dr. William Moritz, Natural Resources Deputy, DNR, was in attendance for Director Creagh.

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

I. ADOPTION OF MINUTES FOR MEETING OF FEBRUARY 20, 2013.

Chairperson Cummings called for the adoption of the minutes for the February 20, 2013 MNRTF Board meeting.

**MOVED BY MR. GARNER, SUPPORTED BY MR. CANALE, TO APPROVE THE  
MINUTES FOR THE FEBRUARY 20, 2013 MNRTF BOARD MEETING.  
PASSED WITHOUT DISSENTING VOTE.**

II. ADOPTION OF AGENDA FOR MEETING OF APRIL 17, 2013.

Chairperson Cummings called for the adoption of the agenda for the April 17, 2013 MNRTF Board meeting.

**MOVED BY MR. GARNER, SUPPORTED BY MR. CANALE, TO ADOPT THE  
AGENDA FOR THE APRIL 17, 2013 MNRTF BOARD MEETING, WITH REVISIONS.  
PASSED WITHOUT DISSENTING VOTE.**

### III. PUBLIC APPEARANCES.

#### Ocqueoc Falls - Mr. Ronald Olson, Chief, Parks and Recreation Division, DNR

Mr. Ronald Olson, Chief of Parks and Recreation Division, DNR, advised the Board that the MNRTF Board awarded Ocqueoc Falls a \$500,000 grant a few years ago. The final cost of the project was \$710,000. The Recreation Trails and Recreation Improvements programs grants augmented the cost. Five collaborating groups were involved in development.

The park was rededicated last summer. It is believed that Ocqueoc Falls is the only universally accessible publicly-owned waterfalls in the country. Stone and native materials are used for transfer stations.

Ocqueoc Falls recently won a da Vinci Award. The da Vinci Awards are sponsored by the National Multiple Sclerosis Society, which are world-wide awards. There were fifteen nominees in five categories. Each category had three nominees. The Ocqueoc Falls project was in the "environmental adaption for working/daily living" category.

#### Legislative Update – Mr. Steve DeBrabander, Manager, Grants Management, DNR

On behalf of Mr. Trevor VanDyke, Legislative Liaison, DNR, Mr. Steve DeBrabander, Manager of Grants Management, DNR, outlined legislative updates for the Board.

#### **PA 619 of 2012 (SB 1238) – Modify Natural Resources Trust Fund – Senator Darwin**

**Booher**. This bill would require the DNR to report on the status of each approved project, as well as provide further criteria for the Board to follow. This bill was significantly modified from the original bill that was introduced. This bill was enacted and signed by the Governor.

There are now new reporting requirements that are being met. The projects status report, which is provided to the Board, is posted on the DNR website every two months. Based on the new law, a couple of scoring changes have been implemented which allows for additional points: 1) allowing motorized use; and 2) a project that is in a county with less than 50% public land.

#### **PA 9 of 2013 (SB 233) – Michigan Natural Resources Trust Fund – Senator Darwin**

**Booher**. This bill appropriated \$23.3 million from the MNRTF for 22 acquisition and 54 development projects that the Board recommended for funding in December 2012. The bill also included funding for dredging (\$21 million), but Waterways Funds and General Funds. This bill was enacted and signed by the Governor.

Staff is moving forward to get Department of Technology, Management and Budget, Administrative Board approval and then sending out project agreements to grantees.

**SJR Q – Constitutional Amendment to Modify MNRTF Expenditures – Senator Tom**

**Casperson**. This joint resolution seeks to amend the Michigan Constitution to reduce the Michigan State Parks Endowment Fund cap to \$400 million and royalties from 50% to 40%. It also seeks to add additional purposes to be allowable expenditures of the MNRTF. These are:

- 1) Management of land and water resources for recreational purposes;
- 2) Development and maintenance of trails and roads on state-owned land;
- 3) Infrastructure directly related to natural resource-based industries, including timber harvesting and mining;
- 4) Infrastructure on waters, including breakwaters and dredging operations; and
- 5) Payments in-lieu of taxes on state-owned land.

The bill also eliminates the distribution percentages in the current law (currently 75% allocated for acquisition and 25% for development projects).

Administration has not taken a formal position on this legislation at this time.

**Senate Bill 229 – Modify allowable expenditures for the MNRTF to include dredging –**

**Senator John Moolenaar**. This bill would authorize the expenditure of MNRTF interest and earnings on the dredging of harbors for use by recreational watercraft.

Administration is opposed to this legislation.

Mr. DeBrabander also mentioned that the DNR has a Letter of Advice from the Attorney General indicating that dredging is not allowable under the Constitution, but staff has requested a formal opinion on this topic.

**Senate Bill 214 – Modify allowable expenditures for the MNRTF – Senator Tom**

**Casperson**. This bill essentially is the same as SJR Q (to amend the Constitution). Senate Bill 214 would amend the statute.

Administration has not taken a formal position on this legislation at this time.

**Senate Bill 243 – Waterways Funds for dredging and breakwalls – Senator Darwin**

**Booher**. This bill does not affect the MNRTF, but the bill seeks to amend Part 781 (Michigan State Waterways Commission) to require at least half of the money spent from the Waterways account in any fiscal year be spent for dredging, construction of breakwaters at recreational boating facilities and grants for those purposes. It would also seek to require the DNR to conduct an annual assessment of the State's public harbors to determine the need for dredging and infrastructure improvements.

Administration is opposed to this legislation.

**House Bill 4106 – Michigan Natural Resources Trust Fund use for dredging –**

**Representative Bob Genetski.** This bill seeks to allow the MNRTF to be used for dredging of Great Lakes harbors for use by recreational watercraft.

Administration is opposed to this legislation.

Mr. Canale asked if the Board could have more information on these bills – the date the bill was introduced, date voted on (approved or denied and by what margin), and date signed by the Governor. Mr. DeBrabander responded that he will make sure this is provided to the Board.

Chairperson Cummings stated that on February 21, 2013, he and a number of others testified before the Appropriations and Policies Committee of the Legislature. He felt this went extraordinarily well. There are a lot of freshmen legislators who need to be reminded of the statutory station of the MNRTF.

**Mr. Jack Alexander**

Mr. Jack Alexander made comments before the Board regarding MNRTF development funds for Cooley Law School Stadium in Lansing. He feels that the stadium falls within the definition of a park. In addition, he feels that the stadium should not be penalized because they charge to enter the park.

At the present time, the stadium has about \$8 million in work that needs to be done to the park.

Mr. Garner stated that this would be a development project, and could not fund a project for this amount. Mr. Alexander responded that any amount would help. He also stated that he is not affiliated with the stadium in any way – just merely a baseball fan.

Mr. Garner also added that the City of Lansing would need to submit the application for funding.

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

Mr. Tom Bailey, Executive Director of Little Traverse Conservancy, the land conservancies of Michigan formed a group called Heart of the Lakes Center for Land Conservation Policies. Mr. Bailey is the Board Chair. A new executive director has been hired, Mr. Jonathan Jarose.

The Board's June 19, 2013 meeting will be in Emmet County. The county officials are looking forward to hosting the meeting. On Tuesday, June 18 there will be a field trip of recreation facilities, a cookout at the McGulpin Point Lighthouse and a boat tour. The director of the International Dark Sky Park will do a tour on the cruise. Everyone is invited.

Real Estate Trends – Ms. Valerie Lafferty, Real Estate Appraiser, Real Estate Services Section, Finance and Operations Division, DNR

Ms. Valerie Lafferty, Real Estate Appraiser for Real Estate Services Section, Finance and Operations Division, DNR, made a presentation outlining 2013 property market value trends.

Positive news for real estate is:

- The stock market has been up 11% since the beginning of 2013.
- Commercial lending has become more available = liquidity in market.
- The gross domestic product has expanded by 4.9% in 2010 and 2.3% in 2011.
- The FED has agreed to hold interest rates through 2015.
- Nationally construction was up 8% in 2012 and building permits up 28% in residential.
- The Michigan bond rating improved this month to AA.
- Michigan's unemployment is at 8.8% in February 2013 from a recession high of 14.2% in August of 2009.
- Michigan's \$337 billion economy outperformed the broader U.S. economy.
- "Pure Michigan" indicated that there were 3.2 million out-of-state visitors, with a \$1 billion economic impact.
- Lansing-Mt. Pleasant area is noted for the wind power investment, with 43% industrial property values.
- Increase in residential, which is a trigger for improved economy.

Legacy challenges – property values dropped \$36 billion in 2011-2012, whereas in the past five years they had dropped \$260 billion. Local governments also continued to struggle with declining revenues. Mr. DeBrabander added that last week he had attended several meetings around the state with the Director. These meetings involved the ten counties in the state that had the highest amount of DNR-managed land. One comment that came up in the meetings was that the amount of state-owned land was actually a buffer for them, as all the property values and tax base were declining, taxes that were coming in from the state-owned land remained the same.

Ms. Lafferty outlined that foreclosures will continue for some time..

Supply and Demand – Trends:

- Price, Waterhouse and Cooper and Urban Land Institute are reporting that business and people are seeking compactness, quality infill sites.
- There is a move to reduce rents and expenses in offices across corporate America, like in state government.
- Millennials – gentrification in cities effectively transfers poverty into inner ring suburbs.

- In 2012, Fannie Mae had record profits of \$17 billion, where in 2011 they had a record loss of \$16 billion. They were in a conservatorship in 2008 with dividends going to government.
- In 2013, Moody's reported that only six housing markets were in the black from the peak. The top ten markets were down 15% and overall down 23%.
- A Federal Reserve study for 2007-11 indicated that 80% of FDIC banks did excessive construction lending.
- People interested in selling underwater – low supply in some areas.
- Nationally homeownership is 65.5%, which is the lowest in 50 years.
- Southeast Michigan suffered the most – it has one-half the state's population and is the driver of one-half of the state's wealth.
- From 2007-2012, property value fell in Detroit 40%, Flint 60%, Washtenaw County 21%, Macomb 35%, and Wayne/Oakland 34%.

Reading the Market – Agriculture value continues to go up and the DNR will be affected. Land that was once valued because of subdivision potential as highest and best use may now shift to agricultural use.

The market indicates that multi-family units are increasing, rather than single-family homes.

Land value changes in 2011-2012 show that the highest increase in the state was in Gratiot County at 13.4%, with Montcalm and Van Buren Counties being the lowest, at .1%.

Take Aways – Acquisition:

- In Metro Detroit, land prices are the lowest and remain most depressed.
- There is competition from agricultural land uses.
- The Upper Peninsula skipped the “bubble” economy.
- The interest rates are low and Feds promise they will keep them low as economic stimulus.
- Oakland, Washtenaw, Kalamazoo, Kent and Ottawa have larger populations predicted and are experiencing good growth.
- Water amenities are always desirable.

Mr. Canale asked Ms. Lafferty what role she played in DNR and what her qualifications were. Ms. Lafferty responded that she is a review appraiser for DNR. She reviews MNRTF appraisals, as well as other appraisals for DNR. She has a background in real estate, both residential and commercial. She also has a law degree. She has worked for the DNR for two years.

IV. OLD BUSINESS.

None.

## V. NEW BUSINESS.

### Update on MNRTF Staff Activities – Mr. Steve DeBrabander

Mr. DeBrabander outlined MNRTF staff activities that have occurred since the Board's last meeting.

- Grants Management received 140 MNRTF applications – both acquisition and development – by the April 1, 2013 deadline. Staff is now reviewing the applications to make sure they are administratively complete and eligible for funding.
- Grants Management's new database is still underway. Ms. Jule Stafford of Grants Management is the lead contact. The new database will be a paperless application process and program.
- Eight grant workshops have been completed. Staff is participating in six additional Placemaking Workshops with four other state departments.
- Director Creagh started the initiative of meeting with the ten counties with the highest amount of state-owned, DNR-managed lands. Six were completed in the Lower Peninsula last week. The Director is in the Upper Peninsula at this time completing the remaining four meetings. The MNRTF and payment in-lieu of taxes (PILT) were discussed at these meetings, along with general land ownership issues. Changes were made to the statute for PILT. Tax-reverted land ("Swamp" lands) taxes were changed from \$2.00 to \$4.00 per acre to local units of government. Also, how taxes are calculated on purchased lands has also changed. The end result was that PILT payments have increased to local units of government and was well received.

### 2013 Application Cycle – Application Lists

Mr. DeBrabander outlined the 2013 application cycle documents that the Board had received in their packets. There were 140 applications received – 34 for acquisition and 106 for development projects. The request for acquisition projects is \$27 million, with an estimated \$24 million being available for 2013 funding. This figure could change with withdrawals and lapses.

For development projects, \$22 million is being requested.

The Board has received three application lists: one by county and one each for acquisition and development applications listed alphabetically by applicant.

Public Appearance Invitations to Grantees – June Meeting

Mr. DeBrabander advised the Board that at the June Board meeting select applicants are invited to make a presentation in support of their project. The June meeting covers applicants from the Upper Peninsula and Northern Lower Peninsula. If the Board has any applicants that they wish to have invited to the meeting to make a presentation, let Ms. Linda Harlow know **by May 10, 2013**. The Grant Coordinators will also be providing a list of applicants to make presentations.

Mr. Canale stated that any projects that drive economic development would be of interest to him.

TF09-166, Grand Isle Acquisition, Plainfield Township (Kent County) – APPROVAL OF EXEMPTION OF MITIGATION REQUIREMENT – Mr. Jon Mayes, Unit Manager, Grants Management, DNR

Mr. Jon Mayes, Unit Manager, Grants Management, DNR, outlined the Grand Isle Acquisition, Plainfield Township (TF09-166) request for exemption of mitigation requirement. This would be to request approval to permit the construction of wetlands pursuant to a Department of Environmental Quality (DEQ) program involving a grant of a permanent easement to DEQ. The grant purchase was for 56 acres, and a total of 3.6 acres will be converted to wetlands.

**MOVED BY MR. GARNER, SUPPORTED BY MR. CANALE, TO APPROVE THE EXEMPTION FROM THE MITIGATION REQUIREMENT FOR TF09-166, GRAND ISLE ACQUISITION, PLAINFIELD TOWNSHIP (KENT COUNTY). PASSED WITHOUT DISSENTING VOTE.**

TF09-087, School Lake Fishing Access, Republic Township – WITHDRAWAL OF PROJECT

Mr. Mayes outlined the School Lake Fishing Access, Republic Township (TF09-087) request for project withdrawal. The township will be completing the project with their own funds and will not need the assistance of the MNRTF. The grant was for \$26,000.00.

**MOVED BY MR. GARNER, SUPPORTED BY MR. CANALE, TO APPROVE THE WITHDRAWAL OF TF09-087, SCHOOL LAKE FISHING ACCESS, REPUBLIC TOWNSHIP. PASSED WITHOUT DISSENTING VOTE.**

TF10-131, Southeast Michigan Eco-Region Project – Highland Recreation Area Acquisition, Highland Township – SEEKING VARIANCE FROM POLICY AGAINST ACQUIRING LAND ALREADY IN PUBLIC OWNERSHIP

Mr. Mayes outlined the Southeast Michigan Eco-Region Project for Highland Recreation Area. Parks and Recreation Division, DNR, would like to obtain approval from the standard MNRTF policy of not purchasing land that is already in public ownership.

The parcel was previously owned by DNR and sold to Highland Township in 1999 to be used as a compost site. The sale proceeds were returned to the MNRTF. A stipulation in the conveyance document requires the township to offer the parcel to the DNR at market value if the compost use is discontinued. The compost use has now been discontinued and the site restored.

Parks and Recreation Division wishes to purchase this parcel that is nearly surrounded by state-owned land as part of the Highland Recreation Area.

**MOVED BY MR. CANALE, SUPPORTED BY MR. GARNER, TO APPROVE THE VARIANCE FROM THE STANDARD MNRTF POLICY OF NOT PURCHASING LAND THAT IS ALREADY IN PUBLIC OWNERSHIP FOR TF10-131, SOUTHEAST MICHIGAN ECO-REGION PROJECT – HIGHLAND RECREATION AREA ACQUISITION, HIGHLAND TOWNSHIP. PASSED WITHOUT DISSENTING VOTE.**

## VI. STATUS REPORTS.

### DNR Real Estate Report – State Acquisitions

Mr. DeBrabander outlined the DNR real estate report for the Board. There was one recent acquisition to acquire 2,181 acres in Alger County – AuTrain Basin Project – AuTrain Basin Waterfowl Refuge Project – Phases I and II. This land is within the Shingleton Management unit project boundary for a total of \$2,224,500.

### Completed MNRTF Projects Report

Mr. DeBrabander advised the Board that nine local acquisition and development projects have been completed since the Board's last meeting.

### MNRTF Financial Report

Mr. Joe Frick, Assistant Division Chief, Finance and Operations Division, DNR, outlined the MNRTF financial report. The report is based upon the old formula of using 5% and it is anticipated that this will change. DNR has been provided with an investment policy statement that has been prepared by the Department of Treasury.

Finances are relatively stable. There should not be problems in the Stabilization Reserve to distribute the 5% amount. There is roughly 10% of reserve. The Department of Treasury continues to use 5-1/2% as their long-term average return on our portfolio.

Mr. Frick stated that if spending is to grow continuously, the corpus will have to grow at the same rate.

Mr. Canale stated that we need to talk about strategic direction for the next ten years – how acquisition versus development is going to switch and encourage more activity in a different direction.

Mr. Frick stated that we legally do not have the authority to spend any of the oil and gas revenue that is currently in the corpus. We can only spend the interest income.

Chairperson Cummings stated that between now and the June Board meeting we should find out how the maximum development amount would be calculated – before or after subtracting the growth. He feels it should be after.

Mr. Canale mentioned that in previous minutes it was indicated that the “Payments in-lieu of Taxes” was supposed to be a separate line item in the financial report. It still is showing up in “Administrative Expenses.” Mr. Frick will let staff know that this should be changed.

#### MNRTF Land Consolidation and Line Item Department Projects

Mr. DeBrabander outlined the MNRTF Land Consolidation and Line Item Department Projects report for the Board. The format has been changed since the last Board meeting. It is now easier to understand the amounts, current balances, lapses, etc.

This report is now posted on the DNR’s “Grants” website every two months.

#### 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, June 19, 2013, St. Anthony’s Catholic Church Community Room, 600 West Central Avenue, Mackinaw City, Michigan.

ADJOURNMENT.

**MOVED BY MR. CANALE, SUPPORTED BY MR. GARNER, TO  
ADJOURN THE MEETING. PASSED WITHOUT DISSENTING VOTE.**

The meeting was adjourned at 10:10 AM.

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

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Steven J. DeBrabander, Manager  
Grants Management

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DATE