



101 E. Wilson Street
2nd Floor
PO Box 8943
Madison, WI 53708-8943

608 266-1370 INFORMATION
608 266-0034 LOANS
608 267-2787 FAX
bcpl.wisconsin.gov

Thomas P. German, *Executive Secretary*

AGENDA

April 6th, 2021
2:00 P.M.

Board of Commissioners of Public Lands
101 E. Wilson Street, 2nd Floor
Madison, Wisconsin

Routine Business:

1. Call to Order
2. Approve Minutes – March 16, 2021 (Attachment)
3. Approve Loans (Attachment)

Old Business:

4. None

New Business: Proposed Land Bank transactions

5. P2101 Purchase of 1652 acres from The Forestland Group
6. E2101 Exchange of 240 acres for 206 acres from Northwoods Land Trust, Inc.

Routine Business:

7. Chief Investment Officer's Report
8. Executive Secretary's Report
9. Board Chair's Report
10. Future Agenda Items
11. Adjourn

AUDIO ACCESS INFORMATION

Conference Line Number: **(608) 571-2209**
Conference ID Code: **790 694 843#**

Board Meeting
Minutes
March 16, 2021

Present were:

- | | |
|---|--|
| Sarah Godlewski, Board Chair | State Treasurer |
| Josh Kaul, Commissioner | Attorney General |
| Doug LaFollette, Commissioner | Secretary of State |
| Tom German, Executive Secretary | Board of Commissioners of Public Lands |
| Jim DiUlio, Deputy Secretary | Board of Commissioners of Public Lands |
| Richard Sneider, Chief Investment Officer | Board of Commissioners of Public Lands |
| Mike Krueger, IT Manager | Board of Commissioners of Public Lands |
| Denise Nechvatal, Senior Accountant | Board of Commissioners of Public Lands |
| Thuy Nguyen, Office Manager | Board of Commissioners of Public Lands |
| Julie Benkoske, Chief of Staff | State Treasurer |

ITEM 1. CALL TO ORDER

Board Chair Godlewski called the meeting to order at 2:04 p.m.

ITEM 2. APPROVE MINUTES – March 2, 2021

MOTION: Commissioner LaFollette moved to approve the minutes; Commissioner Kaul seconded the motion.

VOTE: The motion passed 3-0.

DISCUSSION: None

ITEM 3. APPROVE LOANS

MOTION: Commissioner LaFollette moved to approve the loans; Commissioner Kaul seconded the motion.

DISCUSSION: Mr. Sneider shared that there are two loans to Dane County Drainage Districts which are the first loans that BCPL has made to drainage districts in modern history. He explained that drainage districts levy assessments on lands that benefit from the drainage district projects instead of levying a tax. Each investment is recorded as a lien against the benefitted property. The district provides BCPL with a certification of assessed benefits to the Board as part of the application, and because the loans are greater than one year, the loans required approval of the Attorney general. The benefits to the land parcels are based on a formula which includes the number of acres, the water table factor, the yield factor, and the land use factor. Residential parcels are assessed the minimum \$75.00. Although there is no levying of tax, as in general obligation loans, these loans are very safe because the assessments are recorded as a lien against the properties.

Commissioner Kaul commented that by law his office was involved in the review of drainage district borrowing and the review and approval of trust fund loans. The drainage district borrowing review responsibilities are statutory while the approval of trust fund loans is due to his status as a Board Member in accordance with the Constitution. Therefore, Commissioner Kaul delegated the responsibility for reviewing the drainage district borrowing to his Deputy Attorney

General so that he would not be personally or directed involved in such decision. He then asked if it makes sense for him to participate in the votes on those loans.

Board Chair Godlewski asked why the drainage district approval was different, requiring additional AG approval and Board approval.

Executive Secretary German explained that the process is different not just for trust fund loans but borrowing in general by a drainage district. If the loan is going to be for more than one year, the AG's office must review it and confirm that it was a valid and binding obligation of the drainage district. These are unlike general obligation loans, which pledge the full faith and credit of the entire community. With drainage district loans the obligation falls unevenly on the landowners within the district. That is likely the reason why that statutory provision came about.

Commissioner Kaul requested confirmation from Executive Secretary German about his assessment of the issue and asked if he should continue to vote and that there's no reason to abstain based on that issue.

Executive Secretary German replied that he agreed with Commissioner Kaul and he appreciates the decision to delegate the drainage district borrowing review to his deputy.

Commissioner Kaul shared an additional aspect of the drainage district loan review process that is unusual. Both the drainage district statute and the BCPL process require review from his office. Normally, he wouldn't be reviewing the same loan as a member of two different parties, but that is provided for by statute. He believes there is no way around that. That is not a reason not to move forward, but he asked for confirmation again that BCPL staff agrees with that.

Executive Secretary German responded yes. The two reviews by the AG's office in this case are different reviews. The first one with respect to the drainage district borrowing is focusing on whether the AG's office believes that it is a valid and binding obligation of the of the drainage district. The second review is the normal trust fund loan review which focuses more on whether the Trust Fund Loan procedures that were followed.

Board Chair Godlewski commented that that makes sense and thanked Commissioner Kaul for sharing the issue and Executive Secretary German for his explanation.

Mr. Sneider noted one other difference of drainage district loans from normal loans is that the project specifications are required to be approved by DATCP. He then commented on a third loan, the Village of Suring. The village is taking out a revenue loan for the installation of fire hydrants and repairs to their water tower. With revenue loans the payments are made by the utility based on water revenues they receive, and BCPL believes it is going to be more than sufficient to pay the principal and interest when due. But because there is a little added risk and because there is no general obligation tax levy in this situation, BCPL requires a little higher interest rate. The interest rate on this loan is at 5% for 20 years. Normal general obligation loans are currently at 4% for 20 years.

VOTE: The motion passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$1,974,000.00** in State Trust Fund Loans to support 7 community projects in Wisconsin.

1. Town of Mishicot / Manitowoc County / Finance purchase of truck and dump box / \$50,000.00
2. Town of Freedom / Outagamie County / Finance roadwork / \$325,000.00
3. Village of Suamico / Brown County / Finance TID #2 Roadwork / \$677,000.00
4. Dane County Drainage District #9 / Dane County / Finance Drainage Projects / \$284,400.00
5. Dane County Drainage District #8 / Dane County / Finance Drainage Projects / \$250,000.00
6. Town of Conover / Vilas County / Finance purchase of dump truck and skid steer / \$250,000.00
7. Village of Suring / Oconto County / Finance water tower repair and hydrant replacement / \$262,000.00

ITEM 4. OLD BUSINESS – Mindoro Sanitary District #1 loan repayment

Executive Secretary German shared that it appears that that both the short term problem and a long term problem have been resolved, or at least progress is being made on a long term one. This year the loan payment has been made. He shared at the last Board meeting that BCPL did not have all the information about the Mindoro situation and that there may have been some issues associated with a large dairy that was located within the district. The district's lack of money did not result from business difficulty but rather from the district officials' unwillingness to levy a tax sufficient to repay the loan. The district is part of the Town of Farmington. After speaking with local officials, the town decided to loan money to the Sanitary District to make this year's payment. The town is now taking steps to convert the Sanitary District into a Town Special Utility District to give the town more control over the finances and to make sure these types of events don't occur in the future. It is an extremely unusual situation to have municipal officials fail to carry out their duties. He reiterated that the short term problem has been resolved, and it appears that the long term problem is well on its way to resolution.

Commissioner LaFollette thanked Executive Secretary German for his work on the issue.

Executive Secretary German commented that he must give credit to the local town officials, especially town Chair Mike Hesse, who was great to work with.

Board Chair Godlewski asked what it was that the town was turning the sanitary district into.

Executive Secretary German replied that is a Special Utility District.

Board Chair Godlewski asked Executive Secretary German to keep the Board updated on the progress until it is finalized.

Executive Secretary German replied that he would keep the Board updated and explained that when the Special Utility District is created the loan will be paid off and no longer exist.

NEW BUSINESS

ITEM 5. – Trust Fund Loan Process

Executive Secretary German shared that most State Trust Fund loans are structured as general obligation loans. The community pledges their full faith and credit and promises to levy a tax sufficient to repay the loan. If the borrower defaults on the loan, the law requires BCPL to intercept state aid.

Commissioner LaFollette shared that it has never happened in the over 30 years he has been on the Board.

Board Chair Godlewski commented that she believes it has never happened.

Executive Secretary German explained that for general obligation loans the total equalized value of property located within the borrower's boundaries is looked at along with the total amount of general obligation debt outstanding for that borrower. If the ratio of the debt to the borrowing capacity of the applicant is above 60%, BCPL starts asking more questions.

For revenue loans, BCPL reviews previous years' revenue stream and expenses. BCPL wants to make sure to have a decent coverage ratio. The statutes require that BCPL have a first position security interest in those revenues. In the event a revenue loan borrower would default, interception of state aid is also available and so there are several methods of protection on those loans as well. In Wisconsin, law does not allow municipalities to declare bankruptcy. This combination has resulted in Wisconsin municipal borrowers having some of the lowest borrowing rates in the country. The power to intercept a state aid provides a strong incentive for communities to repay. BCPL has never had to rely on

that. That power to intercept the state aid makes a State Trust Fund Loan safer than Wisconsin municipal Bonds.

Executive Secretary German commented that the Mindoro loan concern resulted from the failure of local officials to carry out their legal responsibilities and levy a tax that had been approved through a properly adopted resolution. The community had sufficient general obligation debt capacity at the time the loan was granted. They currently have a huge amount of general obligation debt capacity, they have paid down their loan, and the equalized value of the district has increased. They should have and could have levied a tax. They just did not want to. This type of issue does not present itself during financial analysis unless the community has already defaulted on a previous loan or bond, which, has never happened on BCPL loans. It is a behavioral problem and unusual. BCPL State Trust Fund loans are a very safe investment. The information obtained from borrowers is sufficient to analyze the risks associated with it. BCPL has done a good job and the fact that there have been no defaults in the history of the program backs that up.

Board Chair Godlewski thanked Executive Secretary German for the information and reiterated that the Mindoro Sanitary District situation is very unique.

ITEM 6. – WEMTA Survey results

Board Chair Godlewski spoke about the WEMTA survey which asked their members if the special distribution was helpful. Over 100 librarians participated, and the responses were overwhelmingly positive. Everybody was incredibly grateful for the funds and how quickly the funds were provided. The funds were able to impact students and faculty directly. She shared some quotes:

“Thank you, the extra emergency distribution that you guys did was timely, and it supported the library and our staff and students and without it I believe the students and teachers would have really struggled more to get the materials and to be able to teach and learn. And many of our teachers were able as a result to use eBooks and online learning content.”

“It's because of the Common School Fund and the special distribution that my district is able to be in a position to have resources available during COVID and I was able to purchase resources that my district was otherwise not be able to, so thank you.”

She shared that the top expenditures were for E-learning book software, online materials and hot spots, and books. The books they had were not sufficient and more were needed for kids to bring home.

Another question that was asked is, “Do you think there will be a need for another special distribution, if that is something that BCPL would be able to do?” As of now, they did not know if it was needed.

Survey participants asked about the timing of the distribution. The distribution has traditionally been made during the springtime. However, librarians expressed that they could optimize funds if the distribution aligned better with their fiscal year. The topic of when the distribution is made is something worth exploring with the Department of Public Instruction. It may be more beneficial to disburse the funds in the fall each school year instead of the spring. She shared that she will be checking in with WEMTA quarterly on their funding and how they are using the special distribution and any other concerns or feedback they might have. An open line of communication will be beneficial as the agency's purpose is to serve librarians and media specialists in public schools.

Commissioner Kaul thanked Board Chair Godlewski for the update and agreed that the distribution could better align with school budgeting. He expressed that that is something that should certainly be explored. He added that he realizes there may be challenges to changing the timing.

Board Chair Godlewski commented that the conversation can continue with the new DPI Superintendent. She added that

those who participated in the survey said that at the end of the year it is uncertain what enrollment will look like the following year or what their resources are going to look like. It could really make a difference having the disbursement in the fall. This is absolutely something we should continue to explore.

ITEM 7. – Communications regarding distribution to beneficiaries

Board Chair Godlewski shared that this is the largest annual distribution with \$39 million this year and thanked Mr. Sneider and the investment team for their work. Julie Benkoske from Board Chair Godlewski team has been working with Executive Secretary German on the rollout strategy. She commented that it is going to be a three part approach. A press release has been put together similar to what has been done in previous years. Commissioners have been quoted along with Executive Secretary German, and the Superintendent of Public Instruction. In addition, there are two more things: The WEMTA conference where there is a big Publisher's-Clearinghouse-type-check presented. That is not possible to do this year because of COVID. Instead, there will be an online conference and Board Chair Godlewski has recorded a message for that conference. On Sunday night, she has been asked to deliver that message at 7pm. It is an opportunity to share with WEMTA the great news and let them know how much we appreciate the work they are doing for their students and for their communities. The third piece is social media. There will be a video that will be posted on social media and Twitter. The librarians are creating a fun Facebook profile cover that also celebrates the BCPL and this distribution. She explained that there is a focus on using technology because technology is part of what our money goes to and the media specialists are excited about this. This is something to be celebrated and even during COVID we're doing our best to do that. She thanked the BCPL team and the Commissioners. \$39 million is very exciting and it makes a huge difference for the schools.

ITEM 8. CHIEF INVESTMENT OFFICER'S REPORT

Mr. Sneider commented that one thing that you might have noticed over the past month or two is long term interest rates have increased significantly now that the yield on the 10 year Treasury Bond has more than doubled to about 1.6%. The loan program becomes more competitive because of the statutory minimum interest rates within the program. Secondly, the value of our bond portfolio decreases as interest rates increase. However, because we normally hold bonds to maturity, there should be no immediate impact on portfolio income. We also currently have unrealized gains in the Common School Fund of more than \$70 million, so there is plenty of cushion to absorb any temporary principal losses in the bond portfolio over the longer term. It's really a debate of COVID recession versus federal recovery efforts. The portfolio is well positioned and the diversification over the last few years has greatly improved our ability to absorb changes in the marketplace like we're seeing today.

ITEM 9. EXECUTIVE SECRETARY'S REPORT

Executive Secretary German shared that BCPL is working on a potential land bank acquisition which would involve approximately 1500 acres located in Oneida and Iron counties. The purchase price would be somewhere in the range of 1.6 million, but the exact acreage and the price has not yet been determined. These parcels are great in terms of being located contiguous to BCPL or very nearby which improves our access, improves our revenue generation prospects, and improves our management efficiency.

Next, he spoke about the migration of BCPL's legacy software. Prior to Executive Secretary German coming to BCPL, BCPL had a team of six IT people that wrote the legacy software for the loan program, Land Management and everything else. The software that was used to write that code was very different than it is today. He shared that over time, he became increasingly nervous that the legacy software was written in language that was not supported anymore. He asked the IT team what other options were available. All options came back with a price tag well over \$100,000. Mike Krueger, BCPL's current IT manager, knew somebody who works at DOT looking for extra work. So, about 18 months ago, Chuck Failing came to BCPL part time and helped rewrite all that code into a current language and we now have

robust, secure legacy software that should take us well into the future. The project was done right, and it was done at a decent cost. He thanked Mike Krueger and to Chuck Failing for their work on this project.

Board Chair Godlewski expressed that that is great news and thanked Executive Secretary German for the report and thanked Mike and Chuck for all their work.

Commissioner LaFollette congratulated BCPL on both things.

ITEM 10. BOARD CHAIR'S REPORT

Board Chair Godlewski spoke about reports that are to be made at the next Board meeting. She commented that the April 6 meeting would be the first meeting of the second quarter and that Mr. Sneider would be providing updates on the portfolio and the asset allocation performance. She added that along with the investment reports an update on the goals and priorities that were revisited at the beginning of the year would be provided.

Executive Secretary German noted that the investment updates were scheduled to happen one month after the end of the quarter. Those reports would be provided at the first meeting in May, because Mr. Sneider will not have the quarter end numbers available to him yet by early April.

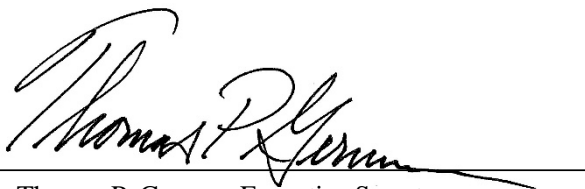
Board Chair Godlewski thanked Executive Secretary German for the clarification.

ITEM 11. FUTURE AGENDA ITEMS

None

ITEM 12. ADJOURN

Commissioner LaFollette moved to adjourn the meeting; Commissioner Kaul seconded the motion. The motion passed 3-0; the meeting adjourned at 2:42 p.m.



Thomas P. German, Executive Secretary

Link to audio recording:

<https://bcpl.wisconsin.gov/Shared Documents/Board Meeting Docs/2021/2021-03-16-BoardMtgRecording.mp3>

**BOARD MEETING
APRIL 6, 2021**

**AGENDA ITEM 3
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Shiocton Outagamie County Application #: 02021112 Purpose: Finance purchase of tractor	Village Rate: 3.00% Term: 10 years	General Obligation	\$41,200.00
2. Shiocton Outagamie County Application #: 02021113 Purpose: Finance purchase of plow truck	Village Rate: 3.00% Term: 10 years	General Obligation	\$153,753.00
3. Reedsburg Sauk County Application #: 02021114 Purpose: Finance purchase of snow plow chassis and equipment	Town Rate: 2.50% Term: 4 years	General Obligation	\$106,000.00
4. Brandon Fond Du Lac County Application #: 02021115 Purpose: Finance purchase of backhoe	Village Rate: 2.50% Term: 5 years	General Obligation	\$25,000.00
5. Racine Racine County Application #: 02021116 Purpose: Finance development incentive	City Rate: 4.00% Term: 20 years	General Obligation	\$5,500,000.00
6. Onalaska La Crosse County Application #: 02021117 Purpose: Finance vehicle, equipment and fiber network	City Rate: 2.50% Term: 5 years	General Obligation	\$253,388.00
7. Drammen Eau Claire County Application #: 02021118 Purpose: Finance telephone/broadband infrastructure	Town Rate: 4.00% Term: 15 years	General Obligation	\$400,000.00
TOTAL			<u>\$6,479,341.00</u>

BOARD MEETING

APRIL 6, 2021

AGENDA ITEM 5

PROPOSED LAND BANK ACQUISITION – THE FORESTLAND GROUP (P2101)

BCPL is required by Wis. Stats. Sections 24.605 and 24.61(2)(cm) to reinvest the proceeds of school trust land sales into other timberland. By law, the land to be acquired must be located within a consolidation area approved by the board, and the land must either improve timberland management, address forest fragmentation, or increase public access to the land. Finally, the acquisition must not result in BCPL owning more land than it did prior to the enactment of the land bank legislation in 2006.

BCPL staff has analyzed various blocks of productive timberland contiguous to existing BCPL land holdings for potential purchase. Heartwood Forestland Fund VII, L.P. and Heartwood Forestland Fund VIII, L.P. (together known as “The Forestland Group”) are offering to sell 1,652 acres of land (the “Property”) in Iron and Oneida County to the BCPL. The Property consists of four different tracts, most of which are contiguous to current BCPL holdings. Considered as a group, the Property meets all the criteria of the land bank requirements.

The Property was independently appraised by Steigerwaldt Land Services, Inc. The initial appraisal was for approximately 1,642 acres and the appraised value was \$1,888,550 (\$1,150/acre). BCPL staff and the seller agreed on a lower price of \$1,800,000 (\$1,096/acre) subject to Board approval. However, the seller later removed four parcels from the package and offered to replace those four parcels with four other nearby parcels. The replacement parcels were larger and added approximately 10 acres to the acquisition total acreage. Thus, the final proposed total purchase price was increased accordingly to \$1,811,000.

As discussed in more detail below, it is anticipated that Northwoods Land Trust, Inc. will purchase 206 of the 1,652 acres offered by The Forestland Group in order to complete a proposed land exchange with BCPL. If the exchange occurs, BCPL will purchase approximately 1,446 acres directly from The Forestland Group at a total price of \$1,586,600 and acquire the other 206 acres via the proposed exchange.

BCPL staff recommends acquiring the Property from The Forestland Group (and Northwoods Land Trust, Inc.) for the following reasons:

- Purchase of the Property would improve and protect public access to hundreds of acres of forestland.
- Acquisition of the Property would improve BCPL timberland management for the following reasons.
 - The acquisition would provide BCPL with more productive timberland that can be expected to produce significant revenue for the Trust Funds

through future timber harvests. The Property is 82% upland and consists of 500 acres of aspen, 765 acres of pine, and 90 acres of fir/spruce.

- Timberland management also improves because the Property has an excellent system of woods roads and soils that are appropriate for dry-ground summer logging. This creates more and better opportunities for timber sales. The recent winters have had very unpredictable weather which has made it difficult for loggers to harvest winter-only sales. As a result, winter only timber sales have drawn smaller interest and bids. The roads and soils on the Property are expected to bring greater interest from loggers and premium bids on the timber sales.
 - Finally, the Property is located within relatively close proximity to the Lake Tomahawk office resulting in fewer hours spent on the road by our forestry staff, fewer miles driven, and less gas consumed. The cost savings allow BCPL to more efficiently use its agency resources.
- Assembling larger, contiguous, consolidated blocks of school trust lands reduces forest fragmentation.

BCPL staff proposes to acquire the Property as part purchase and part land exchange. BCPL owns a 240 acre block of land known as Beaver Creek Hemlocks in Iron County. BCPL staff consider it a high conservation value forest for which BCPL has sought a conservation buyer. The DNR had interest in the past but was unable to complete a purchase. Fortunately, the Northwoods Land Trust is willing to acquire the property and protect it for future generations to enjoy. The land trust will purchase property of equal value (approximately 206 acres) from The Forestland Group and exchange the said property with BCPL for the Beaver Creek Hemlocks property. The proposed exchange will be presented in a separate agenda item.

The statutory standard for land exchanges is slightly different than for land purchases but is still easily met in this case. Pursuant to Wis. Stat. Section 24.09(1)(bm), the exchange must “contribute to the consolidation or completion of a block of land, enhance conservation of lands or otherwise be in the public interest.” As noted above, this transaction would create larger consolidated blocks of school trust lands with greater revenue generating capacity for the trust funds, more public access and lower management costs. This statute also requires that the lands being exchanged must be of “approximately equal value” which means the difference in value between the more highly valued land and the less highly valued land does not exceed 10% of the value of the more highly valued land. This standard is met in this case as the total cash and appraised value of the lands being exchanged by BCPL is equal to the appraised value of the Forestland Group lands being conveyed to BCPL from the land trust.

Attachments:

Resolution w/Exhibits
Exhibit A – BCPL Purchase Criteria
Exhibit B – Opinion of Value
BCPL Project Maps

BOARD MEETING

APRIL 6, 2021

AGENDA ITEM 5

PROPOSED LAND BANK ACQUISITION – THE FORESTLAND GROUP (P2101)

RECITALS

- A. BCPL staff has identified various tracts of land totaling 1,652 acres located in Iron County and Oneida County currently owned by Heartwood Forestland Fund VII, L.P. and Heartwood Forestland Fund VIII, L.P. (together known as “The Forestland Group”) that would benefit BCPL’s real estate portfolio if acquired.
- B. BCPL has the opportunity to conserve land bank funds for future acquisitions by using current surplus land to partially finance this acquisition. Northwoods Land Trust, Inc. may acquire 206 acres of land from The Forestland Group and exchange that land for surplus BCPL land located in Iron County. This proposed exchange will be presented to the board in a separate agenda item.
- C. In this agenda item, BCPL staff is requesting authority to purchase all or part of the 1,652 acres of land (the “Property”) owned by The Forestland Group. The Property is described in the Addendum to the Purchase Analysis in Exhibit A.
- D. The Property is contiguous to land currently owned by the BCPL or is a short distance from BCPL land.
- E. The Property has been evaluated by BCPL staff against purchase criteria previously adopted by the Board. The Property has been determined by BCPL staff to be appropriate for purchase according to such criteria. A copy of the purchase analysis is attached to this resolution as Exhibit A.
- F. The Property was independently appraised by Steigerwaldt Land Services, Inc. at a value of \$1,150 per acre for a total of \$1,888,550. Negotiations with the seller and a change in legal descriptions resulted in a proposed purchase price of One Thousand Ninety-Six Dollars per acre (\$1,096/acre), or a total of One Million Eight Hundred Eleven Thousand Dollars (\$1,811,000). A copy of the Opinion of Value has been attached to this resolution as Exhibit B.
- G. The Forestland Group has agreed to sell the Property for One Thousand Ninety-Six Dollars (\$1,096) per acre for a total of One Million Eight Hundred Eleven Thousand Dollars (\$1,811,000).
- H. BCPL currently has Two Million Eighteen Thousand Four Hundred Forty Dollars (\$2,018,000) in land bank funds currently available for land acquisitions. Therefore,

this acquisition can be completed using existing land bank funds. BCPL may acquire up to One Thousand Seven Hundred Forty-Four (1,744) acres of school trust land without exceeding the statutory acreage cap for land acquisitions. Therefore, this transaction can be completed without exceeding the statutory acreage cap.

- I. BCPL staff recommends acquiring the Property because the acquisition would:
 - 1. Improve public access to an existing block of BCPL forestland;
 - 2. Improve management efficiencies by increasing the tract size of an existing block of School Trust Lands while reducing per acre boundary line work associated with that block;
 - 3. Add productive timberland that can be expected to produce significant revenue for the School Trust Funds through future timber harvests;
 - 4. Increase the percentage of upland on BCPL properties; and
 - 5. Reduce forest fragmentation.

- J. BCPL staff recommends that the Board authorize the purchase of all the Property from The Forestland Group at the price of \$1,811,000 or portions of the Property necessary to consummate subsequent exchanges with transaction partners.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands approves the purchase of the Property from The Forestland Group at the price of One Million Eight Hundred Eleven Thousand Dollars (\$1,811,000) or portions of the Property in accordance with Chapter 24 of the Wisconsin Statutes on such other terms and conditions as the Executive Secretary determines to be reasonable and necessary. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such transaction.

Summary Analysis of Potential Property Purchase
Transaction ID#: P2101

Common Name: The Forestland Group
County: Oneida & Iron Township: Minocqua & Sherman
Legal Description: See Addendum
Acres: 1,446.37 (GIS)

Purchase Criteria

- 1. Forest Fragmentation**
 - Average tract size increases.
 - The ratio of perimeter to area decreases.
 - There is a clear reduction of the threat for conversion from forest to non-forest use.
- 2. Access**
 - Management access to our existing timber tracts is improved.
 - There is an increase in the number of BCPL acres open to the public.
- 3. Management Efficiency**
 - The percentage of upland on BCPL properties increases.
 - The amount of line work per acre decreases.
 - The average distance from the tracts to the BCPL field office decreases.
- 4. Timber Character and Value**
 - The average site index of forest soils on BCPL property increases.
 - Within one cutting cycle there is an increase in the potential high-value sawlog volume and growth on the tract
 - There is an increase in the forest types and species that diversify the BCPL's timber portfolio.
 - There is an increase in the number of acres and size of tracts where the BCPL has summer logging opportunities.

I recommend that BCPL purchase the above property on terms and conditions acceptable to BCPL:

- Yes
- No



Trust Lands Forestry Supervisor

3/30/2021

Date

I accept the recommendation of the Trust Lands Forestry Supervisor and direct the staff to proceed accordingly.

- Yes
- No



Deputy Secretary

3-31-2021

Date

**Board of Commissioners of Public Lands
Summary Analysis of Potential Property Purchase
Transaction ID#: P2101**

Common Name: The Forestland Group

County: Oneida & Iron Township: Minocqua & Sherman

Legal Description: See Addendum

Acres: 1,446.37 (GIS)

Parcel ID Number: See Addendum

Previous Year Tax Levy: \$ 1,438.88

Name(s) of Seller(s): Heartwood Forestland Fund VII

Address of Seller(s): The Forestland Group, LLC
19045 Stone Mountain Road

Seller Phone #: Abingdon, VA 24210

Seller's Attorney or Agent: Shawn Hagen

Contact Information: _____

Seller's Attorney or Agent Phone Number(s): _____

Asking Price: \$ 1,586,600

**Summary Analysis of Potential Property Purchase
Transaction ID#: P2101**

Common Name: The Forestland Group

County: Oneida & Iron Township: Minocqua & Sherman

Legal Description: See Addendum

Acres: 1,446.37 (GIS)

Acres of productive forest land in parcel(s): 1,334.86 acres

Acres of timber base in parcel(s): 1,246.10 acres

Acres of non-productive land in parcel(s): 111.40 acres

Acres of land with public access in parcel(s): 1,446.37 acres

Acres of land without public access in parcel(s): 0 acres

Acres of current BCPL land that will become accessible to the public through parcel(s): 0 acres

Acres of our current BCPL land that will become accessible for timber management purposes through parcel(s): 0 acres

Comments (parcel cover type or other attributes of parcel or transaction):



856 North 4th Street
Tomahawk, WI 54487
tel: 715-453-3274

11242N Gorski Road
Hayward, WI 54843
tel: 715-699-1401

109 US Highway 41 West
Negaunee, MI 49866
tel: 906-273-0661

www.steigerwaldt.com

FORESTLAND MGMT

INVESTMENT & ANALYSIS

APPRAISAL

RIGHT-OF-WAY

ENVIRONMENTAL

April 1, 2021

Mr. Micah Zeitler
Real Estate Specialist
Board of Commissioners of Public Lands
P.O. Box 277
Lake Tomahawk, WI 54539-0277

Re: Letter of Opinion of Value

Dear Mr. Zeitler:

This letter serves as an opinion of value that will estimate the value of the non-contiguous tracts of forestland in Oneida and Iron Counties, totaling 1,652.17 acres, as a single property. This letter is an addition to three appraisals estimating the value of the three tracts separately. The three tracts are known as the Pier Lake North Tract and the Pier Lake West Tract located in the Town of Minocqua, Oneida County, and the Springstead Tract located in the Town of Sherman in Iron County, Wisconsin. The effective date of the Pier Lake West Tract and Springstead Tract appraisal reports is January 27, 2021, with a report date of February 10, 2021. The effective date of the Pier Lake North Tract appraisal report is March 26, 2021, with a report date of April 1, 2021. The properties all have a highest and best use of forestland and recreation. This letter is intended to accompany the original appraisal reports and is not considered a stand-alone document. This letter must be referenced in conjunction with the original appraisals.

The effective date of this letter update is March 26, 2021, and the report date is April 1, 2021. I have examined additional sale transactions and trends as with the individual appraisals. The original reports were written in conformance to 2020-2021 USPAP Standards 1 and 2.

The three individual tract appraisals and values are summarized as follows:

Summaries			
Tract	Acres	Price Per Acre	Appraised Value
Pier Lake North	1,103.04	\$1,300.00	\$1,434,000.00
Pier Lake West	472.57	\$1,100.00	\$ 519,850.00
Springstead	76.56	\$ 600.00	\$ 45,950.00
Total	1,652.17	-	\$1,999,800.00

Weighted Average

\$1,210.41 Per Acre

It is my opinion that combining the individual tracts into one single property transaction would result in a 5 percent discount realized due to a downward tract size adjustment for the total real estate package. Applied to \$1,210.40 per acre, a 5 percent discount indicates a per acre value of \$1,149.89 per acre (rounded to \$1,150.00 per acre).

Mr. Micah Zeitler
April 1, 2021
Page 2

The value for the single property real estate package of 1,652.17 Acres is therefore calculated as follows:

1,652.17 acres @ \$1,150.00 per acre = \$1,899,995.50
Rounded: \$1,900,000.00

Please do not hesitate to call me if you should have any questions.

Sincerely,

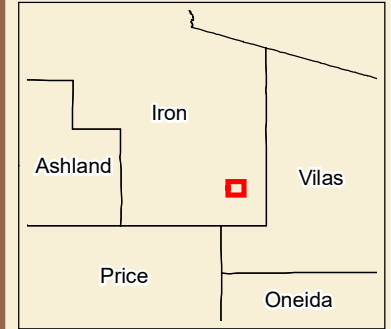
STEIGERWALDT LAND SERVICES, INC.

A handwritten signature in black ink, appearing to read "Lee Steigerwaldt", with a long horizontal flourish extending to the right.

Lee A. Steigerwaldt, ACF
Wisconsin Certified General Appraiser No. 1516

LAS/bj

THE FORESTLAND GROUP PURCHASE (Iron County)



P2101

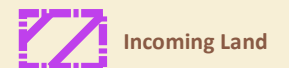
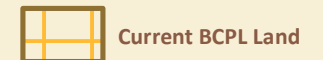
County: Iron

Town: Sherman

**Common Name:
The Forestland Group**

Acres - 76.44

Fund: NSF



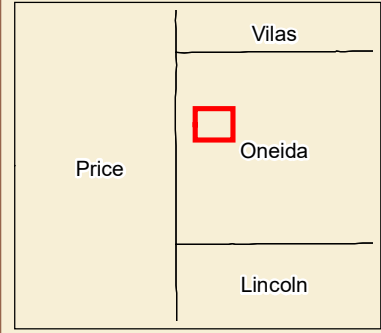
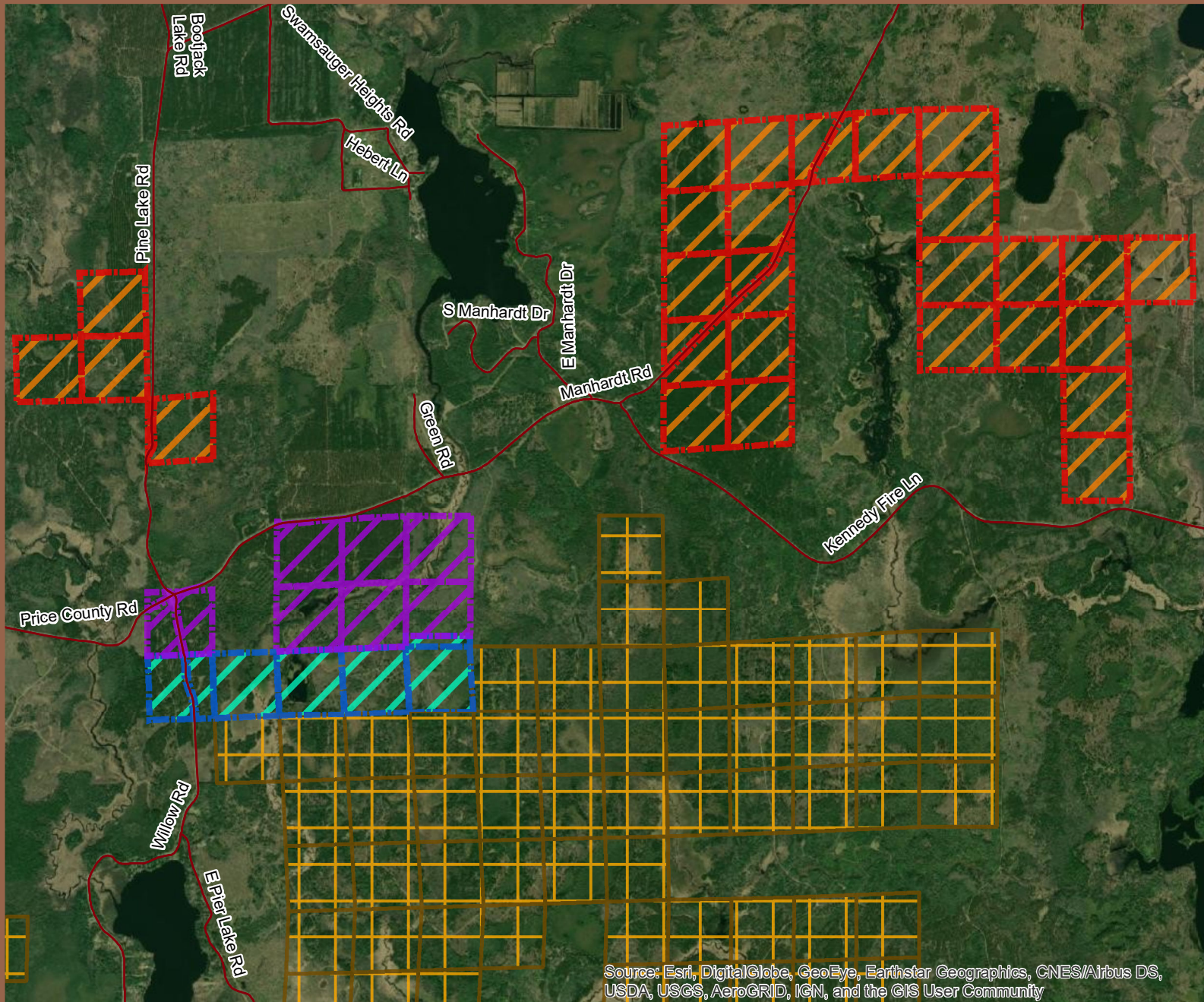
Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community



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BCPL_I/T - March 30, 2021 P2101-Oneida_Iron-Minoqua-Sherman-Forestland_Group-Iron-8x111.pdf

THE FORESTLAND GROUP PURCHASE (Oneida County)



P2101

County: Oneida

Town: Minocqua

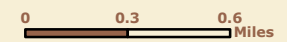
Common Name:
The Forestland Group

Acres - 1369.93

Fund: NSF (266.89 acres)
CSF (1103.04 acres)



-  Incoming Land (NSF)
-  Incoming Land (CSF)
-  E2101 NWLT
-  Current BCPL Land



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

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BOARD MEETING

APRIL 6, 2021

AGENDA ITEM 6

PROPOSED LAND EXCHANGE – NORTHWOODS LAND TRUST (E2101)

BCPL may exchange any parcel of school trust lands for any other land of approximately equal value if the exchange will contribute to the consolidation or completion of a block of land, enhance conservation of lands or otherwise be in the public interest.

In conjunction with the acquisition outlined in Agenda Item 5, staff is requesting authority to convey a 240 acre tract of land located in Iron County to Northwoods Land Trust, Inc. in exchange for timberland in Oneida County. The BCPL parcel contains very rare remnant old growth hemlock hardwood stands that the Northwoods Land Trust would like to preserve in perpetuity. Over a decade ago the DNR expressed an interest in acquiring the parcel but for a variety of reasons has not been able to follow through with a purchase.

The property was appraised by Compass Land Consultants, Inc. at a value of \$204,000 (\$850/acre). While BCPL staff found the independent appraisal to be in the range of expected value, BCPL staff felt that the value of the Property was slightly higher and negotiated with the Northwoods Land Trust staff for a proposed price of \$224,400 (\$935/acre). To effectuate the exchange, the Northwoods Land Trust would first purchase 206 acres of approximately equal-value timberland in Oneida County from Heartwood Forestland Fund VII, L.P. (The Forestland Group) and then convey such timberland to BCPL in exchange for this school trust land parcel.

BCPL staff recommends the exchange for the following reasons:

- the exchange will enhance conservation of lands and is in the public interest;
- the school trust lands parcel that would be conveyed to the Northwoods Land Trust does not currently generate any revenue for the school trust funds; and
- the BCPL parcel does not currently have any legal access.

The property that BCPL would receive in the exchange would:

- contribute to the consolidation of a block of land; and
- provide additional timber revenue for the trust fund.

The properties to be exchanged are of approximately equal value.

Attachments:

Resolution w/Exhibits

Exhibit A – Summary Analysis of Outgoing Property

Exhibit B – Appraisal Certification of Outgoing Property

Exhibit C – Summary Analysis of Incoming Property

BCPL Project Maps

**BOARD MEETING
APRIL 6, 2021**

**AGENDA ITEM 6
PROPOSED LAND EXCHANGE – NORTHWOODS LAND TRUST (E2101)**

RECITALS

- A. BCPL currently owns a parcel of land totaling approximately 240 acres located in Iron County described as:

Township 41 North, Range 3 East, Town of Sherman, Iron County, Wisconsin

Section 29: SE/SW

Section 31: NE/NE, NW/NE, SW/NE, SE/NE

Section 32: NW/NW

- B. Northwoods Land Trust, Inc. has expressed an interest in acquiring the parcel for long-term ownership because it contains rare old growth hemlock stands, mature hardwoods, and a diverse wetland complex.
- C. The BCPL parcel has been evaluated by BCPL staff against criteria previously adopted by the Board and has been determined by BCPL staff to be appropriate for exchange according to such criteria. A copy of the summary analysis is attached to this resolution as Exhibit A.
- D. The BCPL parcel was appraised by Compass Land Consultants, Inc. at a value of \$204,000. A copy of the Certification of Appraisal is attached to this resolution as Exhibit B. BCPL staff and Northwoods Land Trust staff have agreed on a slightly higher proposed transaction price of \$224,400.
- E. BCPL staff has identified a 206 acre block of land that is suitable for the proposed exchange. The Northwoods Land Trust will purchase this “Incoming Property” from Heartwood Forestland Fund VII, L.P. (The Forestland Group). The Incoming Property is described as:

Township 38 North, Range 4 East, Town of Minocqua, Oneida County, Wisconsin

Section 23: the southern 7.8 acres of the SW/SW

Section 26: NW/NW

Section 27: NE/NE, NW/NE, NE/NW, NW/NW

- F. The Incoming Property is adjacent to other parcels currently owned by BCPL and to be acquired by BCPL, will improve access to BCPL’s existing property, and contains productive timberland.

- G. The Incoming Property has been evaluated by BCPL staff against criteria previously adopted by the Board and has been determined by BCPL staff to be appropriate for exchange according to such criteria. A copy of the summary analysis for the Incoming Property is attached to this resolution as Exhibit C.
- H. The Incoming Property has been independently appraised by Steigerwaldt Land Services, Inc. at \$1,150 per acre. BCPL and The Forestland Group have agreed on a proposed transaction value of \$1,096 per acre for the Incoming Property.
- I. The value of the outgoing and incoming parcels is of approximately equal value as required under Wis. Stat. 24.09(bm).
- J. BCPL staff recommends approval of this proposed exchange of parcels of approximately equal value for the following reasons:
 - 1. BCPL staff has determined that the outgoing BCPL parcel is appropriate for sale or exchange;
 - 2. The exchange will enable BCPL to dispose of a property that does not currently produce revenue for the trust funds;
 - 3. BCPL staff has determined that the acquisition of the Incoming Property would contribute to the consolidation of a block of land, improve public access to an existing BCPL block of land, and produce more timber revenue for the trust fund; and
 - 4. The values of the properties in the proposed exchange are “approximately equal” as that term is defined in Wis. Stat. 24.09.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of Public Lands approves the exchange of the BCPL parcel for the Incoming Property with Northwoods Land Trust, Inc. in accordance with Chapter 24 of the Wisconsin Statutes on such other terms and conditions as the Executive Secretary determines to be reasonable and necessary. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such transaction.

Board of Commissioners of Public Lands
Summary Analysis of Potential Property Exchange
Transaction ID#: E2101

Common Name for Land Parcel: Beaver Creek Hemlocks

County: Iron Township: Sherman

Legal Description: T41N-R3E, Sec. 29: SE/SW; Sec. 31: NE 1/4; Sec. 32: NW/NW

GLO Acres: 240

Criteria – Outgoing BCPL Property

1. Title

- Ownership verified with Register of Deeds.
- Title appears merchantable.

2. Timber Management

- Parcel is located outside of Consolidation Zone.
- Parcel is an isolated or unproductive parcel within the Consolidation Zone.

3. Access


- Parcel does not provide the only reasonable access to other BCPL parcels that will be retained.
- If parcel does provide the only reasonable access to other BCPL parcels to be retained, a public access easement across the parcel has been reserved.
- Parcel has no current access.

4. Parcel Required By Other Government Entity

- The parcel is located within a project boundary of another government agency or adjacent to a parcel of land owned by another unit of government.
- Parcel is otherwise required by another unit of government.

I recommend that BCPL convey the property on terms and conditions acceptable to BCPL.


- Yes
- No


Trust Lands Forestry Supervisor

3/30/2021
Date

I accept the recommendation of the Trust Lands Forestry Supervisor and direct the staff to proceed accordingly.

- Yes
- No


Deputy Secretary

3.31.2021
Date

REAL ESTATE APPRAISAL – RESTRICTED REPORT

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias or personal interest with respect to the property and parties involved in the assignment.
- I have not performed services on the subject property within a 3-year period of the effective date of this appraisal.
- My engagement in this assignment is not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the "Uniform Standards of Professional Appraisal Practice."
- I, Daniel T. Schummer, personally inspected the subject property on March 11, 2021. The comparable sales were field inspected by the appraiser or qualified assistants from 2018 to the present.
- Douglas L. Johnson, Compass Land Consultants, Inc. Staff Forester/Appraisal Assistant, provided assistance to the appraiser in the preparation of this report and subject property inspection.
- Micah Zeitler was contacted and accompanied the appraiser during the property inspection on March 11, 2021.
- It is my opinion that the subject property has a value of \$204,000 as of March 11, 2021.



Daniel T. Schummer
 Real Estate Specialist
 Wisconsin CGA #2145-10
 (Expires 12/14/2021)



Douglas L. Johnson
 Appraisal Assistant

Summary Analysis of Potential Property Exchange
Transaction ID#: E2101

Common Name for Land Parcel: Northwoods Land Trust

County: Oneida Township: Minocqua

Legal Description: T38N-R4E-Sec. 23: southern 7.80 acres of SW/SW; Sec. 26: NW/NW; Sec. 27: NE/NE, NW/NE, NE/NW, NW/NW

Acres: 205.68

Criteria – Incoming Property

1. Forest Fragmentation

- Average tract size increases.
- The ratio of perimeter to area decreases.
- There is a clear reduction of the threat for conversion from forest to non-forest use.

2. Access

- Management access to our existing timber tracts is improved.
- There is an increase in the number of BCPL acres open to the public.

3. Management Efficiency


- The percentage of upland on BCPL properties increases.
- The amount of line work per acre decreases.
- The average distance from the tracts to the BCPL field office decreases.

4. Timber Character and Value

- The average site index of forest soils on BCPL property increases.
- Within one cutting cycle there is an increase in the potential high-value sawlog volume and growth on the tract.
- There is an increase in the forest types and species that diversify the BCPL's timber portfolio.
- There is an increase in the number of acres and size of tracts where the BCPL has summer logging opportunities.

I recommend that BCPL acquire the property on terms and conditions acceptable to BCPL.


- Yes
- No


Trust Lands Forestry Supervisor

3/30/2021
Date

I accept the recommendation of the Trust Lands Forestry Supervisor and direct the staff to proceed accordingly.

- Yes
- No


Deputy Secretary

3-31-2021
Date

**Board of Commissioners of Public Lands
Summary Analysis of Potential Property Exchange
Transaction ID#: E2101**

Incoming Property

Common Name for Land Parcel: Northwoods Land Trust

County: Oneida Township: Minocqua

Legal Description: T38N-R4E-Sec. 23: southern 7.80 acres of SW/SW; Sec. 26: NW/NW;
Sec. 27: NE/NE, NW/NE, NE/NW, NW/NW

Acres: 205.68

Parcel ID Number: part of MI-360, MI-403, MI-414, MI-415, MI-418, MI-419

Previous Year Tax Levy: \$ 148.00

Name(s) of Seller(s): Northwoods Land Trust

Address of Seller(s): PO Box 321
Eagle River, WI 54521

Seller Phone #: _____

Seller's Attorney or Agent: _____

Contact Information: Ted Anchor

Seller's Attorney or Agent Phone Number(s): _____

Asking Price: \$ 224,400

**Summary Analysis of Potential Property Exchange
Transaction ID#: E2101**

Incoming Property

Common Name for Land Parcel: Northwoods Land Trust

County: Oneida Township: Minocqua

Legal Description: T38N-R4E-Sec. 23: southern 7.80 acres of SW/SW; Sec. 26: NW/NW; Sec. 27: NE/NE, NW/NE, NE/NW, NW/NW

Acres: 205.68

Acres of productive forest land in parcel(s): 145.10 acres

Acres of timber base in parcel(s): 106.30 acres

Acres of non-productive land in parcel(s): 60.60 acres

Acres of land with public access in parcel(s): 205.68 acres

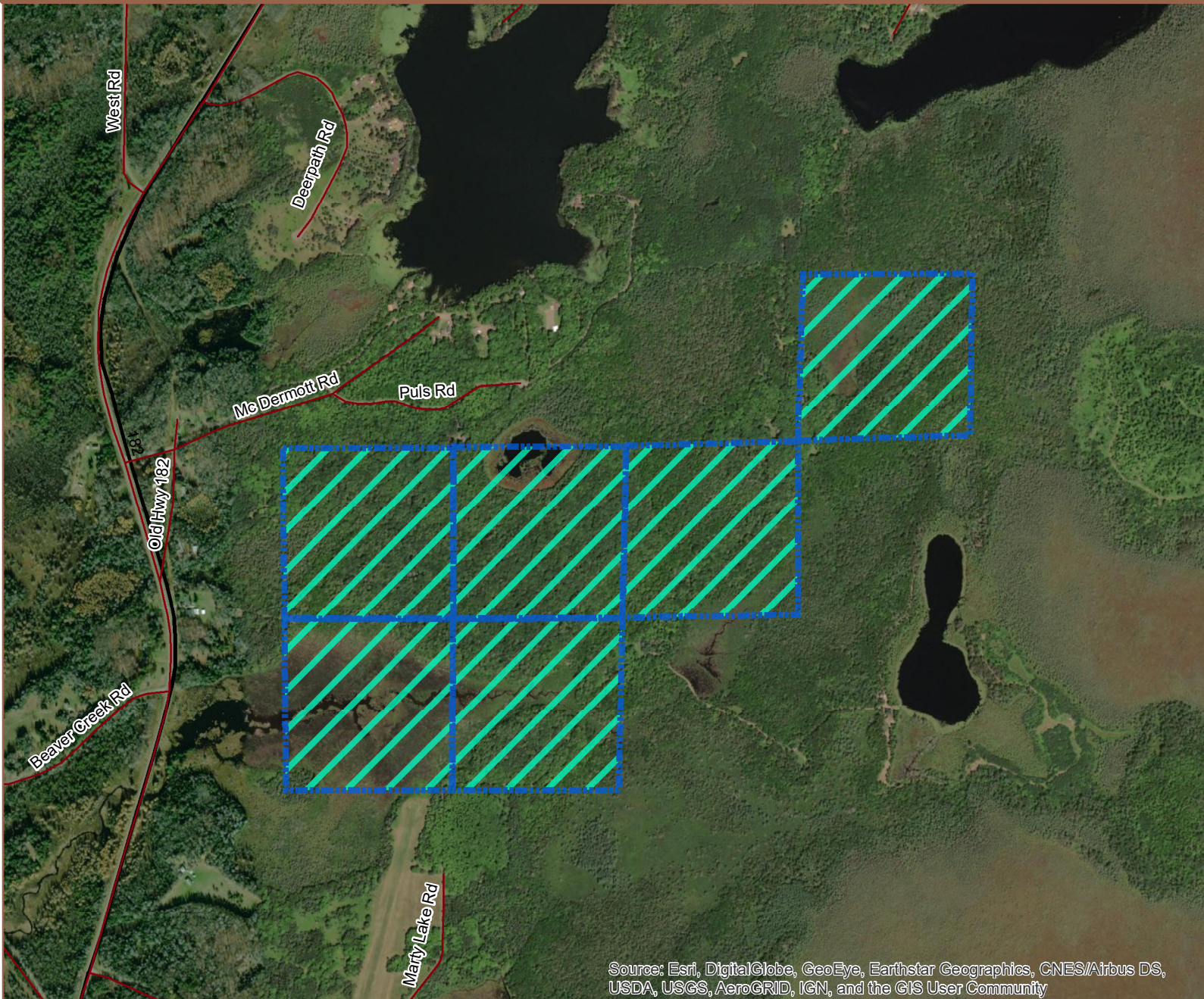
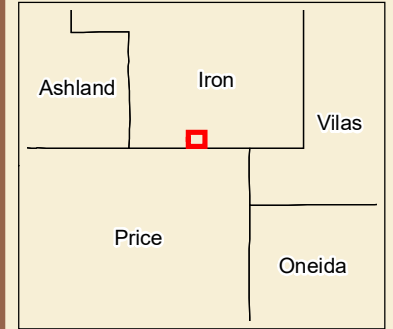
Acres of land without public access in parcel(s): 0 acres

Acres of current BCPL land that will become accessible to the public through parcel(s): 0 acres

Acres of our current BCPL land that will become accessible for timber management purposes through parcel(s): 0 acres

Comments (parcel cover type or other attributes of parcel or transaction):

BEAVER CREEK HEMLOCKS EXCHANGE (Iron)



P2101

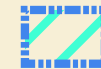
County: Iron

Town: Sherman

**Common Name:
Beaver Creek Hemlocks**

Acres - 240

Fund: NSF

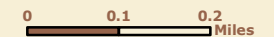


Outgoing Land NWLT



USFS Roads

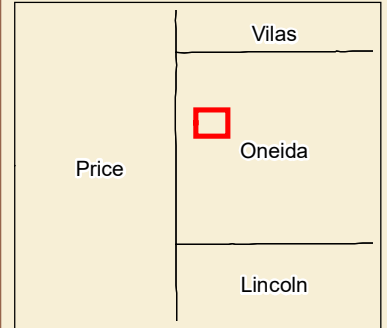
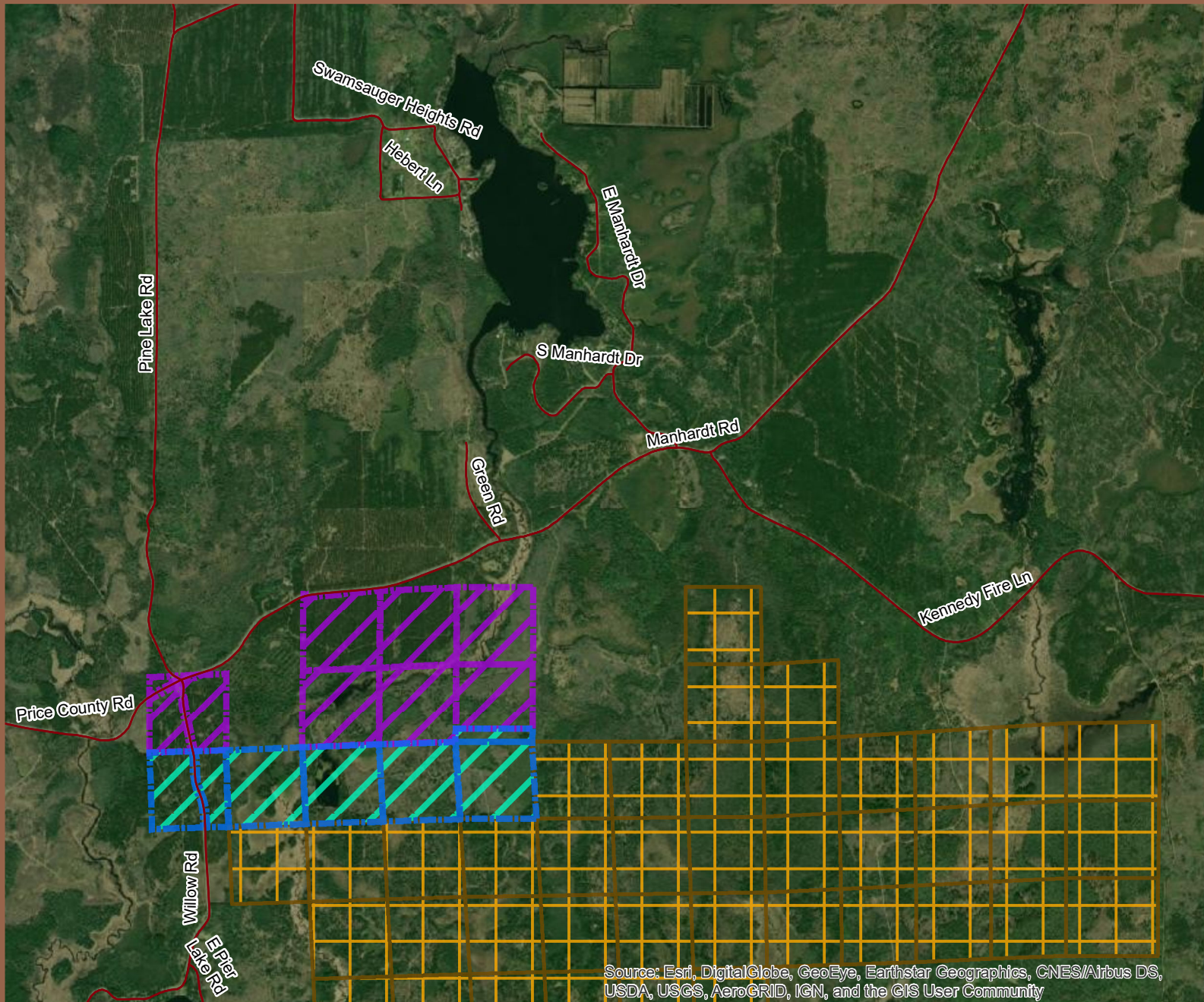
Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community



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BEAVER CREEK HEMLOCKS EXCHANGE (Oneida)



P2101

County: Oneida


Town: Minocqua


**Common Name:
Beaver Creek Hemlocks**

Acres - 205.68

Fund: NSF



 Current BCPL Land

 Incoming Land NWLT

 P2101 Forestland Group

 USFS Roads

0 0.25 0.5 Miles

Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

INTERNAL USE ONLY

BCPL_I/T - March 31, 2021 E2101-Oneida_Iron-Minocqua-Sherman-Beaver_Creek_Hemlocks-Oneida-8x11.pdf