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Re: M.L. 2017, Chp. 96, Sec. 2, Subd. 09i LCCMR Request Related to Land
Acquisition and CIC Termination

Dear Ms. Nash:

In preparation for the LCCMR meeting of Monday, June 27, 2022, the Town of Crane Lake submits this request for LCCMR approval under Minnesota Statutes 116P.15 (if applicable) to the actions set forth in this letter.

Background. The Town of Crane Lake was granted LCCMR funds to purchase land next to the Voyageurs National Park for the purpose of constructing a park visitor\community center on the land – the visitor center portion of the building would be leased long term to the United States Park Service, and the Park Service would operate the visitor center. The land purchased by the Town consisted of Lots One (1) through Fifteen (15), EXCEPT LOT THIRTEEN (13) of Common Interest Community (CIC) No. 84, Crane Lake Shores, together with undivided interest in the common elements appurtenant thereto.

The land that was purchased is legally organized as a “common interest community” (CIC) – basically, a condominium form of ownership. The land was organized this way, because the land developer, who sold the land to the Town, originally intended for the land to be a residential community. The land will no longer be a residential community. The Town now owns all of the lots in the CIC, except for one (1) lot that is in private ownership (Lot 13). There is a single family home on Lot 13; all of the land owned by the Town is “vacant”. In addition to discrete lots, in a CIC, there are also “common elements” – roads, paths, etc. that are owned “jointly” by all of the CIC members. The town owns 14/15ths of these common elements, and the single private owner of Lot 13 owns 1/15 of the common elements.

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To go forward with the visitor center project, it is necessary to terminate the “CIC” legal form of ownership – which is not conducive to constructing and operating the non-residential visitor center - and have the land revert back to a standard “metes and bounds” section-township- range legal description. Among other reasons, the park visitor \ community center should not be constructed, in whole or in part, upon any land that is a “common element”.

The Minnesota Statutes provide a procedure to terminate the CIC form of ownership and have the lands be conveyed to the landowners with standard legal descriptions. As part of this process, it is necessary to eliminate the “common element” joint ownership feature. The method for doing that, is for the Town to record a quit claim deed to the private owner to a 100% interest in a small parcel of land adjoining the private owner’s lot, to equate to the private owner’s 1/15th fractional interest in common elements that the private owner will relinquish to the Town. The private owner would in turn record a quit claim deed to the Town conveying the private owner’s fractional interest in the CIC common elements.

The net result of that land exchange, is that the private owner, would not own “more” or “less” total land acreage than the private owner owns now, but would instead own “all” of the private owner’s currently-owned lot, and “all” of a bit more land adjacent to that existing lot, so that the private owner will not own any land in common with the Town. By the same token, the Town will not own more or less total land acreage than it owns now, but will instead own all of the land in the CIC, except for the land deeded to the private owner, such that the town will NOT own any land in common with the private owner. Stated another way, there would no longer be any fractional interest ownership in these lands.

Appraisal. The appraisal performed when the Town was originally granted LCCMR funds to purchase the property (correctly) stated the property legal description as containing common element ownership that would exist in kind with any other owner of the CIC property:

Lots One (1) through Fifteen (15), EXCEPT LOT THIRTEEN (13) thereof amendment to Common Interest Community (CIC) No. 84, Crane Lake Shores, together with undivided interest in the common elements appurtenant thereto.

Thus, the appraiser correctly accounted for the property interests that were being purchased when the appraiser determined the value of the land being purchased with LCCMR funds. The appraisal also acknowledged that legal work would need to be done to separate the common elements common interest ownership status, to permit the visitor center project to eventually go forward:

OWNERSHIP: The subject property is owned by Voyageur Lakes Development Inc, except the property in tax parcel #308-0095-00001 which is listed by the St Louis County as owned by Crane Lake Shores Owners Association. This parcel is that land encompassed by the interior access road, lake frontage and excess land (generally the wooded land not in platted lots). This parcel is assumed to have been set up in condominium ownership where each lot owner would have equally but undivided shares. NO acres are calculated for the

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308-0095-00001 by the county assessor but the appraiser estimates this parcel to be roughly 15 acres. For the purpose of this appraisal an assumption has been made that the subdivision and ownership of the subject land can be returned to an undivided fee simple single parcel with all rights attached.

See **Exhibit A, Appraisal Excerpts**. Thus, the appraisal deliberately contemplated that the CIC would eventually be terminated, and the Town would receive acreage equivalent to its common element share, and the single private owner would receive acreage equivalent to its common element share. The method of providing that “ownership of the subject land can be returned to an undivided fee simple single parcel with all rights attached” is to terminate the CIC, and terminate the common element common interest ownership. As discussed below, the Town is prepared to do just that, at no cost to the State.

CIC Termination Agreement. A CIC termination agreement is attached as **Exhibit B**. The best way to view the common element land at hand, is to first review page 10, the existing CIC plat. The CIC plat at page 10 shows all of the “units” and also the “common elements” (marked by “CE”). Again, the private owner owns Unit 13, and the Town owns all other units within the CIC. Next, please turn to page 16, which shows, in dark shade, the slight “additions” to the Unit 13 land, that would be exchanged for the private owner’s 1/15 common elements ownership interest. As you can see, the shaded areas to be added to Unit 13 are small additions, as befitting the Unit 13 owner’s slight 1/15 interest of the common elements that they are being exchanged for.

As part of the CIC Termination, the Unit 13 private owner will retain (i) road easement rights to access the nearest public road, County Road #24, from Unit 13, and (ii) pedestrian easement rights to reach a private dock maintained by the Unit 13 private owner on Crane Lake. There is an existing easement, which predated the creation of the CIC, for the owner of Unit 13, and other private land owners to the East of Unit 13, to use the access rights. The private owner was granted private dock rights through the original CIC declaration, and purchased Unit 13 in part to have docking rights on Crane Lake. It is only fair (and necessary) that the Unit 13 owner continue to have access rights to reach the nearest public road, County Road #24, and rights to utilize the private owner’s private dock on Crane Lake. The CIC Termination agreement quit claim deed from the Town to the private owner specifically provides that the private owner will retain these access and use rights. Survey maps depicting the road access easement, and the dock use easement, are attached as part of the quit claim deed from the Town to the private owner. It is the responsibility of the Unit 13 owner, and other private land owners to the East of Unit 13, to maintain the access road, and it is the sole responsibility of the Unit 13 owner to install, maintain, and remove (seasonally) the dock. No ENTRF funds will be used for the road, or the dock.

Environmental Issues. Your staff has inquired about a past petroleum spill upon the property – for documentary materials described in this paragraph, please see attached **Exhibit C**. The source of the contamination was a petroleum release from tanks owned and operated by the Crane Lake Resort, which was formerly located on the northwest corner of the site.

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The responsible party as to the contamination is the prior site owner, the Crane Lake Resort, and not the Town. As the Crane Lake Resort is no longer a viable entity, the Minnesota Pollution Control Agency (“MPCA”) is investigating the release using their Fund Financed Program. The MPCA has also made the determination that the release poses a risk to Camp 40 Creek and Crane Lake, and is planning on conducting corrective action including injection of chemicals to reduce the petroleum concentrations in groundwater. A Phase I Environmental Site Assessment (“ESA”), Phase II ESA, and Response Action Plan (“RAP”) were prepared on behalf of the Town of Crane Lake using ENRTF funds. A link to the ESA’s and RAP is provided through the electronic copy of this letter, **Exhibit C**. The RAP will be implemented during construction of the Visitor Center. The reports have been submitted to the MPCA earlier this week of June 13-17 through the Town enrolling the project into the MPCA Petroleum Brownfield Program to request RAP approval and issuance of a General Liability Letter and Tank Removal Verification. RAP approval is anticipated to take four to six weeks.

In summary, proper investigation has been conducted and required remedial action will be taken during construction of the Visitor Center and the Town has no liability for the cause of the contamination or for creating a situation that puts people, air, water, land, fish, or wildlife at risk through exposure to the contamination. The Town has not used, and will not use, ENRTF funds to clean up contamination.

116P.15. The small land interest exchange set out in the CIC termination agreement meets the “replacement property” requirements under 116P.15(b) subsections (1) and (2). The market value for the exchanged interests is equivalent. The land interests are in the same location, and there is nothing special or unique about the interests to be exchanged (both the common element lands to be added to the Town’s ownership, and the small parcels to be added to the Unit 13 private owner parcel, are “scrub brush”). The conservation purpose for the lands being exchanged is the exact same. Thus, no money will “change hands” as between the Town, and the owner of Unit 13. No funding of any kind for these matters is being requested from LCCMR.

Based on the forgoing, the Town respectfully requests that the LCCMR consent to the Town entering into and carrying out the CIC Termination Agreement. Please let us know if you have any further questions.

Very truly yours,



Roy J. Christensen

Enclosures
Exhibit A – Appraisal Excerpts
Exhibit B – CIC Termination Agreement
Exhibit C – Link to Environmental Reports