

John Velin, Director

**LEGISLATIVE-CITIZEN COMMISSION ON MINNESOTA RESOURCES**  
**MINUTES**

**Tuesday, September 25, 2007**

**8:30 a.m. – 9:30 a.m. – Subcommittee on Minimum  
Standards for Working Forest Conservation Easements**

**9:30 a.m. – 4:15 p.m. – LCCMR Meeting including Native Prairie and Seeds Panel  
Veterans Service Building, Room Vets B - 5th Floor  
20 West 12th Street, St. Paul, MN 55155**

**8:30 a.m. – 9:30 a.m. Subcommittee on Minimum Standards for Working Forest Conservation  
Easements – all LCCMR members encouraged to attend**

Chair: John Herman

Commission Members Present: Al Berner, Sen. Satveer Chaudhary, Nancy Gibson, David Hartwell, John Herman, John Hunt, Mary Mueller, Rep. Kathy Tingelstad, Rep. Jean Wagenius.

Staff Present: S. Thornton, M. McDonough, M. Banker D. Griffith

8:30 a.m. 1. Approve agenda for subcommittee

John Herman called the meeting to order at 8:35 a.m.

2. Consider recommendation to LCCMR on Minimum Standards for M.L. 2007, Chap. 30, Subd. 4a "Working Forest Conservation Easements" - material: background book and the following:

- Approved work program for Subd 4a "Working Forest Conservation Easements"
- May 31, 2007 DNR proposed standards
- Notes from ad hoc discussion June 20 ,2007
- Revision version incorporating notes above into DNR proposed – LCCMR staff draft

David Hartwell moved to adopt the draft of the "Minimum Standards for State Forest Legacy Easements in Minnesota" dated July 16, 2007. Members dicussed the draft.

David Hartwell moved the following change: on page 7 the third paragraph change "two-acres" to "twenty-five acres" – motion prevailed.

Rep. Jean Wagenius wanted to make sure that it was clear the meaning of page 10 #13 Public Information in the draft of the "Minimum Standards for State Forest Legacy Easements in Minnesota" dated July 16, 2007 . She did not think a change in language was needed but as long as the Commission agreed on what is meant by the following language:

*"13. Public Information: The easement must be written in language that is easy to understand by the average person. All easements must provide information on all related transaction costs including but not limited to appraisals, legal fees, recording fees, commissions and donations. These costs must be provided for all parties involved in the transaction. Appropriate data such as appraisals can remain private during negotiations but must ultimately be made public according to the provisions of the data privacy act."*

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In the discussion, John Herman indicated for the record that he is on the Advisory Board for the Trust for Public Land, however, he has no financial interest as an advisory board member.

David Hartwell renewed his motion to adopt the draft of the "Minimum Standards for State Forest Legacy Easements in Minnesota" dated July 16, 2007 with the following change: on page 7 the third paragraph change "two-acres" to "twenty-five acres" – motion prevailed.

3. **Adjourn to full LCCMR Meeting**  
Meeting adjourned at 9:56 a.m.

### 9:30 a.m. – 4:15 p.m. LCCMR Meeting

Commission Members Present: Sen. Ellen Anderson, Al Berner, Jeffrey Broberg, Rep. Lyndon Carlson, Sen. Satveer Chaudhary, Rep. Ron. Erhardt, Sen. Dennis Frederickson, Nancy Gibson, David Hartwell, John Herman, John Hunt, Mary Mueller, Rep. Kathy Tingelstad, Sen. Pat Pariseau, Rep. Tom Rukavina, Sen. Jim Vickerman, Rep. Jean Wagenius.

Staff Present: S. Thornton, M. McDonough, M. Banker, D. Griffith

Co-Chair: Sen. Jim Vickerman

#### 9:30 a.m. 1. **Approve agenda for LCCMR meeting**

Sen. Jim Vickerman called the meeting to order at 10:05 a.m.

Jeff Broberg described the upcoming Sept. 29 tour in southeastern Minnesota about the natural resource impact of the August flooding.

Sen. Jim Vickerman moved to approve the agenda – motion prevailed.

#### 2. **Members report potential conflicts of interest regarding today's business**

#### 3. **Approve minutes of June 26, 2007 and July 17, 2007 (advance material)**

Rep. Kathy Tingelstad moved to approved the minutes of June 26, 2007 and July 17, 2007 – motion prevailed.

Susan Thornton introduced Mike Banker (Outreach Communication Coordinator and Project Analyst), new LCCMR staff member, to the Commission members.

Sen. Jim Vickerman discussed the award given to the LCCMR Commission members and staff at the Habitat Conservation Partnership 100,000 Acre Dedication stating "In recognition of surpassing the 100,000 acre milestone of habitat accomplished. We applaud the vision, leadership and hard work of LCCMR Members, LCCMR Staff and project partners. Sept. 21, 2007".

Sen. Jim Vickerman congratulated the four LCCMR Commission members (Sen. Ellen Anderson, Sen. Dennis Frederickson, Rep. Kathy Tingelstad, and Rep. Jean Wagenius) and Rep. Rick Hanson who were given an award by the Nature Conservancy on Sept. 24 for their work on conservation issues.

#### 9:35 a.m. 4. **Consider any additional work programs**

No additional work programs before them.

#### 9:45 a.m. 5. **Panel of experts on working forest fragmentation: Dr. Lee Frelich -Research Associate and Director, U of M Center for Hardwood Ecology – forest biodiversity and relationship to forest fragmentation; Marty Vadis Director, DNR Division of Lands and Minerals – working forests and mining; and Kathryn**

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### Fernholz Dovetail Partners, Inc. - TIMOS & REITS Impacts on Sustainable Forestry

Dr. Lee Frelich (Director, U of M Center for Hardwood Ecology) started his presentation on forest fragmentation. Presentation highlights include: Fragmentation is an issue in northern Minnesota for white pines. Problems caused by fragmentation: dispersal limitations may lead to inbreeding and local extinction within fragments. Forests will be more resistant to invasive species, global warming, fires, windstorms, and have a greater number of native species living in them with greater genetic diversity if they are not fragmented. Bigger blocks of forest are better. Earthworms are not native to Minnesota they are considered exotic. Copies of the slides will be made available on the LCCMR website.

Nancy Gibson asked where would be a good area of Minnesota to focus acquisition on. Dr. Frelich said there is no one area but each of the unique eco regions should be looked at.

Rep. Jean Wagenius asked about the earthworms and indicated that when discussing easements that they need to also be concerned about the invasive species management issue.

Al Berner asked how large does a forest have to be to not to be considered fragmented. Dr. Lee Frelich said that varies greatly. For example, an area that has deer would need a lot larger an area for it to be considered not fragmented.

Marty Vadis (Director, DNR Division of Lands and Minerals) started his presentation on Minerals Management. Mr. Vadis explained that it is the policy of the state to provide for the diversification of the state's mineral economy through long-term support of mineral exploration, evaluation, environmental research, development, production, and commercialization. Copies of the slides will be made available on the LCCMR website.

Marty Vadis stated that the State has 12 ½ million acres in mineral rights. Of those 3 ½ million are in school trust fund lands and the remaining acres are tax forfeit. Taconite and aggregate are the main minerals in Minnesota. Other minerals in Minnesota are copper, zinc, gold.

Rep. Jean Wagenius stated that they needed to think of other forested areas as potential for acquisition, some of which will not have minerals issues. Their job is to look statewide at all of the forest eco types.

Sen. Dennis Frederickson asked about drill cores. Mr. Vadis said they have about 3 million feet of drill cores in the drill core library and the oldest one is about 120 years old.

Al Berner asked about the disturbance caused by drilling. Mr. Vadis said the drilling is usually done where there are roads available otherwise it is done in the winter because the ground is frozen and there is less disturbance.

Nancy Gibson asked what the restoration costs are after the mining is complete. Mr. Vadis said the company doing the mining has a requirement to restore the land after the mining is complete at their own expense.

Mr. Vadis said exploration and mining allowed on state lands are subject to compliance with state laws, including minelands reclamation laws. If lands can't be returned to forest use, new lands must be substituted.

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David Hartwell asked about posting of financial commitment. Mr. Vadis responded that there is an annual review.

Rep. Jean Wagenius asked if the DNR has easements in the different eco regions in Minnesota. Dick Peterson said that most of the eco regions are covered by the Forest Legacy Program.

Keith Wendt (DNR) said that Forest Certification is another conservation tool the DNR uses besides the Forest Legacy Program.

Kathryn Fernholz (executive Director, Dovetail partners) gave a presentation on "TIMO's & REITS". **Timber Investment Management Organizations (TIMOs)** are private companies acting as investment managers for institutional clients, primarily pension funds, endowments and wealthy individuals. Timberlands are owned as illiquid direct investments or partnership shares, generally in separate accounts, but frequently in pooled funds. **Real Estate Investment Trusts (REITs)** are companies focusing mostly or exclusively on real estate and timberland ownership with a high degree of liquidity through the public trading of shares on a stock exchange. Copies of the slides will be made available on the LCCMR website.

Characteristics of a TIMO:

1. 20 million acres, \$19 billion
2. Separate Accounts vs. Closed-end Funds
3. Average 7-15 years
4. Sell to other TIMOs, conservation groups, timber companies

Characteristics of a REIT:

1. 75% of total assets in real estate
2. Distribute 90% of taxable income
3. Derive 75% of income from rent, mortgage interest, or gains from sales
4. At least 100 shareholders

Tool Opportunities:

1. Conservation easements
2. Certification
3. Carbon Credits & Ecosystem Services
4. Bio-Energy & Bio-Economy
5. Regulation and Incentives

Kathryn Fernholz concluded by saying TIMOs and REITs are obligated to their investors. Therefore their investment activities reflect the extent to which keeping forestlands intact and well-managed results in competitive economic returns.

Sen. Satveer Chaudhary asked about regulation. Kathryn Fernholz said the majority of the financial structures are regulated on the federal level.

### 11:40 a.m. 6. **Laurie Martinson, Deputy Commissioner, DNR – DNR special effort on Working Forest Conservation Easements**

Laurie Martinson said there will be a report available by February 2008 regarding forest conservation easements.

Ms. Martinson reported on their stakeholder group and relayed the following questions:

- 1) What are the major trends impacting Minnesota's forests?

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- 2) Why easements – how do they fit within a comprehensive forest conservation strategy?
- 3) What statutory authorities do we have to protect forestlands?
- 4) What are Minnesota Forest Legacy Program's purpose and public benefits?
- 5) What is the relationship between the state and federal programs?
- 6) What are Minnesota Forest Legacy Program's guiding principles?
- 7) What do we require of the landowner?
- 8) How do we address SFIA?
- 9) How do we address the state's trust fund mineral interests?
- 10) How do we ensure public access to Legacy lands?
- 11) How do we address monitoring and enforcement?
- 12) How do we address the appraisal and valuation process?
- 13) What criteria are used for priority setting?
- 14) Who decides what parcel is eased?
- 15) How much land and where?
- 16) How much \$ over what time period?
- 17) What is the implementation process?
- 18) What is our stewardship plan?
- 19) What funding practices will we follow?
- 20) What business practices will we follow?
- 21) What is the role of third-party organizations in Minnesota's Forest Legacy Program?
- 22) Do we need legislation?

John Herman asked about how much they should be considering easements in the current market. Are the trends going higher or lower with opportunities with easements? Ms. Martin said it will be changing with time.

### 11:45 a.m. 7. Consider the report of the subcommittee meeting

John Herman discussed the conclusion from the meeting by the Subcommittee on Minimum Standards for Working Forest Conservation Easements held Tuesday, September 25, 2007 at 8:30 a.m.

The subcommittee recommended the draft of the "Minimum Standards for State Forest Legacy Easements in Minnesota" dated July 16, 2007 with the following change: on page 7 the third paragraph change "two-acres" to "twenty-five acres".

### 8. Consider approval of Minimum Standards for M.L. 2007, Chap. 30, Subd. 4a titled "Working Forest Conservation Easements"

John Herman moved that the LCCMR Commission approve the "Minimum Standards for State Forest Legacy Easements in Minnesota" dated July 16, 2007 with the changes agreed upon by the Subcommittee.

Rep. Jean Wagenius moved to amend the "Minimum Standards for State Forest Legacy Easements in Minnesota" dated July 16, 2007 on page 2 paragraph 3 add to the end of the first sentence with "and are sustainable representation of each forest eco regions in Minnesota" – motion prevailed.

After discussion, "Minimum Standards for State Forest Legacy Easements in Minnesota" was moved to October 9, 2007 for consideration of approval.

### 11:55 a.m. 9. Status report on recommendations of 2006 Trust Fund Advisory Task Force – Susan Thornton

As requested at the July 17, 2007 LCCMR meeting, Susan Thornton gave an update on the implementation of recommendations of the 2006 Trust Fund Advisory Task Force.

Noon

Lunch break

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1:00 p.m. 10. Consider whether and how to deal with the following:

- a. 2007 project to LCCMR for "Analysis and Implementation of Natural Resource Data" for \$49,000; - appropriation language
- b. Emerging Issues Account for \$160,000 -criteria adopted July 17, 2007 minutes;

- Appropriation language and criteria adopted

Members discussed various options for the Emerging Issues Account.

- c. The Statewide Conservation and Preservation Plan proposed additional efforts as requested by LCCMR July 17, 2007 – Jean Coleman and Deb Swackhamer

Deb Swackhamer (U of M) discussed the Statewide Conservation and Preservation Plan and discussed the U of M letter dated Sept. 18, 2007 which is a response to the Commission's request to the U of M for what specific additional tasks could be provided with additional dollars to develop an expanded more comprehensive Statewide Conservation and Preservation Plan.

Ms. Swackhamer said they have had an additional \$770,000 in cash and in-kind donations towards the completion of the Statewide Conservation and Preservation Plan (i.e. \$162,000 of actual staff time in the last six months). The Bush Foundation was the source of \$270,000 from the University of Minnesota.

The team proposed to add the following elements (cost: \$196,000), if additional money was available:

1. Adding the two issues of Transportation, and Mercury as a Toxic Contaminant (\$70,000);
2. Increasing the efforts in public engagement beyond the listening sessions that were originally described to include a non-technical summary of the Preliminary Plan (\$30,000);
3. Developing the user-friendly data portal / interactive tool for the State that can easily map, analyze and summarize geospatial natural resource data to address preservation and conservation issues (\$61,000); and
4. Adding resources to enhance our overall cost benefit efforts (\$35,000).

Rep. Jean Wagenius moved to adopt the proposal by the Statewide Conservation and Preservation Plan team to move forward with the proposed additional funding of \$196,000.

Rep. Kathy Tingelstad amended Rep. Jean Wagenius' motion to move the request of \$196,000 for the Statewide Conservation and Preservation Plan for the additional work proposed in FY08 in the letter dated Sept. 18, 2007. \$147,000 is from the 2007 Emerging Issues Account appropriation and \$49,000 is from the 2007 Natural Resource Data Collection and Mapping Appropriation. Staff is directed to develop the documentation to submit to the Governor regarding the Emerging Issues Account and to contract with the U of M for the \$49,000 and \$147,000 from the Emerging Issues dollars upon approval by the Governor – motion prevailed.

Rep. Jean Wagenius renewed her motion with the amendments from Rep. Kathy Tingelstad – motion prevailed. (Yes: 8 / No: 7)

1:30 p.m. 11. Update on 2008 Proposals posted Sept. 13, 2007 (notebooks / score sheet) – delayed until Item #13

1:45 p.m. – 4:15 p.m. Native Prairies

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### 12. Presentations and Discussion – Background Materials

Copies of the presentations will be made available on the LCCMR website.

- **Presentation 1** – Research project presentation by Shawn Schottler St. Croix Watershed Research Station of the Science Museum of MN on native species planting for species diversity and habitat
- **Shawn Schottler (St. Croix Watershed Research Station) gave his presentation.**

Different groups of species fill different niches and create function.

Mixed prairie grasses seem to be favored for songbirds and pheasants.

Diversity matters -

- Structural diversity
- Floristic diversity
- Plant community diversity

Small quantities of many species is better than large quantities of a few species.

- **Presentation 2** – Ruth Shaw, geneticist U of MN

Ruth Shaw gave her presentation. Summary about research needs

- experimental determination of Minnesota selectively distinct habitats
- experimental assessment of the severity of fitness decrement for transferred population

- **Presentation 3** – Private Seed Producers

- Bill Carter - Prairie Moon Nursery
- Ben Lang - Minnesota Crop Improvement Association (MCIA)

- **Presentation 4** – Native Prairie Planting Jason Ekstein Restoration ecologist – The Nature Conservancy (TNC)

Jason Ekstein discussed the Glacial Ridge Project.

- **Presentation 5** – Major state agency actors – what they do, how they do it, why they do it and what are their barriers

- Jason Garms State Prairie Biologist assisted by Robert Dana, both DNR
- Dan Shaw – Board of Water and Soil Resources (BWSR)
- Dwayne Stenlund – Mn Department of Transportation (MnDOT)

### 4:15 p.m. 13. Deadline for scoring: 10:00 a.m. on Oct. 8, 2007

Staff reviewed the packaged proposals with members and how they were organized and ranked. Members discussed various options to begin the proposal presentation process.

03:54:37

Rep. Kathy Tingelstad moved to hear the following “invited” presentations and staff was instructed add nine more proposals to fill the presentation time slots for Oct. 10 by using the staff scores starting from highest score.

Line # 94 – Sharon Pfeifer – Metro Conservation Corridors – DNR

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Line # 98 – Matt Holland – MN Habitat Conservation Partnership – Pheasants Forever, Inc.

Line #108 – Kevin Lines – Conservation Easement Stewardship, Oversight, and Maintenance – Phase I – BWSR

Line #109 – Bill Becker – Conservation Easement Stewardship and Enforcement Program Plan – DNR

Line #116 – Wayne Sames – Conservation Partners/Environmental Partnerships Matching Grant Program – DNR

Line #120 – Arne Stefferud – Metropolitan Regional Park System Land Acquisition – Metropolitan Council

Line #122 – David Weirens – Local Water Management Matching Challenge Grants – BWSR

Line #124 – Paul Moss – Global Warming – Reducing Carbon Footprint of Minnesota Schools – Minnesota Pollution Control Agency

Line #127 – Paul Moss – Community Global Warming Action and Renewable Energy Grants – Minnesota Pollution Control Agency

- motion prevailed.

- **Next meeting Oct. 9, 2007: Chair Tingelstad – decide which proposals to bring in;**
- **Oct. 10, 2007: Chair Hartwell begin presentations;**
- **Oct. 15, 16, 22, 29 and 30.**
- **Adjourn**

Meeting adjourned at 5:21 p.m.

Respectfully submitted,

