The meeting of the Michigan Natural Resources Trust Fund (MNRTF) Board of Trustees commenced at 9:05 AM.

The following Board members were present:

Keith Charters
Bob Garner
Lana Pollack
Frank Torre
Sam Washington

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


Chairperson Washington called for the adoption of the June 14, 2006 Board meeting minutes.

MOVED BY MR. GARNER, SUPPORTED BY MR. TORRE, TO APPROVE THE MINUTES OF THE JUNE 14, 2006 MNRTF BOARD MEETING. PASSED.

II. ADOPTION OF AGENDA FOR MEETING OF AUGUST 16, 2006.

Chairperson Washington called for the adoption of the agenda for the August 16, 2006 Board meeting.

Mr. James Wood, Manager, Grants Management, DNR, asked that the agenda item “2006 Application Withdrawals” (under “New Business”) be moved to “Old Business.”

MOVED BY MR. GARNER, SUPPORTED BY MS. POLLACK, TO APPROVE THE AGENDA OF THE MNRTF BOARD’S AUGUST 16, 2006 MEETING, WITH THE REVISION OF ITEM 2, “2006 APPLICATION WITHDRAWALS” (UNDER “NEW BUSINESS”) BEING MOVED TO “OLD BUSINESS.” PASSED.
PUBLIC APPEARANCES.

Mr. Joseph R. Nardone, Executive Director, Golf, Parks and Recreation Department, City of Taylor; and the Honorable Geno Salomone, 23rd District Court Judge and President, Taylor Conservatory Foundation – Heritage Park, City of Taylor – Botanical Gardens

Mr. Joseph R. Nardone, Executive Director of the Golf, Parks and Recreation Department, City of Taylor, made a presentation outlining the city’s proposal to construct botanical gardens and a conservancy structure in Heritage Park. The community and elected officials are very supportive of this project.

The Honorable Geno Salomone, 23rd District Court Judge and President of the Taylor Conservatory Foundation, continued to outline the proposal. He provided a brochure to the Board members to further illustrate the botanical gardens project and Taylor Conservatory Foundation.

The conservatory structure would be a full-size replica of the conservatory in Detroit’s Belle Isle Park. The botanical facility would involve two acres of land in Heritage Park and would be located by the petting farm. A couple of lots in this acreage were acquired with the assistance of the MNRTF. In 1999, DTE Energy commissioned and built the replica for the DTE Energy International Bloomfest, Michigan’s largest flower show. In 2004, DTE Energy donated this conservatory to the City of Taylor. A terrace would be put behind the conservatory. Mr. Jim Myers, a nationally-renowned designer of historical courtyards and gardens, came up with the plan for the botanical garden.

Judge Salomone further stated that with the creation of the conservatory and botanical gardens, it would bring more people to the park. To his knowledge, this proposal is something that does not exist in any other suburb in the country. Botanical gardens are usually associated with universities or a large city. The City of Taylor is a “bedroom” community and the goal is to get people out of their houses and to visit the park.

Judge Salomone also stated that the park is approximately 60-70 acres in size. Next to where the botanical gardens would be is a row of pine trees. The following year the Foundation would like to plant two or three acres of native wild flowers. Nature trails will come through the area. In addition, an arboretum is planned.

Judge Salomone continued by stating that this is a quality of life issue. It will not change the economy, but sometimes having greenspace is just as important to the quality of life. It is recreation and teaches people that this is what nature provides. Proposed entry fee for the conservatory is one dollar, and if the visitor is unable to pay the fee, they will be allowed entry at no cost.

The Foundation’s role is to act as a fund-raiser, to provide volunteers to hire private companies for maintenance and to work with the City of Taylor. As a partnership, the city will control the land and the Foundation will maintain a supervisory function.

Mr. Torre asked what the Foundation was looking at for the cost of the project. Judge Salomone responded that the project will cost approximately $1 million to build, and at the present time $350,000 has been raised. It is believed that Phase I will be funded and built now.
Chairperson Washington asked if the city was seeking MNRTF funding. Judge Salomone responded no.

Chairperson Washington stated that there is a project conversion request for Heritage Park under Agenda Item 3, under “New Business” for the Board’s approval. He asked if the Board members wished to take action at this time. The response was yes.

MOVED BY MS. POLLACK, SUPPORTED BY MR, TORRE, TO APPROVE THE PROJECT CONVERSION REQUEST FOR TF01-143, NORTHLINE ROAD LAND ACQUISITION, HERITAGE PARK, CITY OF TAYLOR. CONVERSION WILL ALLOW THE CONSTRUCTION AND OPERATION OF A PUBLIC BOTANICAL GARDEN AND CONSERVATORY STRUCTURE. PASSED.

Ms. Lynne Boyd, Chief, Forest, Mineral and Fire Management Division, DNR – Presentation of Mineral Leasing Programs (Oil and Gas)

Ms. Lynne Boyd, Chief of Forest, Mineral and Fire Management Division (FMFM), DNR, provided a PowerPoint presentation on the mineral leasing programs (oil and gas). She introduced members of her staff who work in the Mineral and Land Management Section and work directly with the leasing programs.

Part 5, Section 502 of Public Acts 451 of 1994, as amended states that “The Department may enter into contracts for the taking of coal, oil, gas, and other mineral products from State owned lands....” In addition, the Natural Resources Commission Policy – Minerals states “It shall be the policy of the NRC to manage State-owned minerals in a manner that protects and enhances the public trust; and “Minerals shall be developed in an orderly manner to optimize revenue consistent with other public interest and natural resource values.

Active mineral leases with the State of Michigan include:

- Oil and Gas – 817,487 acres under 7,749 leases
- Gas Storage (underground storage of natural gas) – 31,331 acres under 77 leases
- Nonmetallic (sand, gravel, limestone, salt and peat) – 2,851 acres under 35 leases
- Metallic (gold, silver, copper, platinum, nickel, etc.) – 50,011 acres under 211 leases

Chairperson Washington asked when state land is used to store oil and gas, does the state receive royalties from the cost of that. Ms. Boyd responded the state does not receive royalties, but rather a storage fee. Chairperson Washington asked if these fees go into the MNRTF. Ms. Boyd responded that the gas storage fees go to the General Fund.

Ms. Pollack asked how long the leases were for. Ms. Boyd responded nonmetallic were 7-year leases and metallic were originally 10-year and going down to 7-year. Oil and gas leases are primarily five years.

Ms. Boyd stated that there are 23,000 acres pending approval for the leasing. The DNR has renegotiated a new lease for metallics and the lease form will be before the Natural Resources Commission (NRC) next month for their information and then Director’s approval the following month. In addition, there are 3700 acres pending field review for metallic leases.
The first oil and gas wells were drilled in 1861 near Port Huron; early fields were in Saginaw (1925) and Muskegon (1927). In the 1930s and early 1940s, wells were drilled in the central basin; in the 1940s drilling occurred in southwest Michigan and Osceola County; in 1956 and 1957, in southern Michigan and in the 1980s in northern Michigan. Today’s formations are primarily Antrim, Niagaran, Prairie du Chien and Devonian.

Ms. Boyd pointed out the various oil and wells in Michigan via a map. Oil and gas well totals are as follows:

- Oil Wells – 13,208
- Gas Wells – 11,549
- Dry Holes – 22,483
- Disposal Wells – 1,143
- Injection Wells – 821
- Other Wells – 1,143

Chairperson Washington asked, other than oil and gas, what royalties go to the MNRTF. Ms. Boyd responded most mineral royalties go to the MNRTF. The only thing that does not go into the MNRTF is the gas storage fees, which goes into the General Fund.

Ms. Pollack asked if there were any brine wells on state land. Ms. Boyd responded there is not a brine producer on state lands, but there are brine disposal wells. There are brine producers in the state, but not on state lands.

Ms. Boyd continued by stating that out of 33 oil and gas producing states, Michigan is ranked 11th in gas production, 17th in oil production and first in underground gas storage. Oil and gas prospecting requires the following:

- Geologists – field work
- Geophysicists – seismic
- Engineers – cost estimates
- Investors – purchase interest
- Landmen – lease lands and obtain use permits

For the drilling activity itself, companies must do the following:

- Obtain leases from mineral owners
- Complete title work and survey
- Obtain surface agreement
- Contract rig and service companies
- Obtain well permit from the Department of Environmental Quality (DEQ)

Ms. Boyd further stated that there are two types of state leases – auction lease and direct lease. Standard terms of an auction lease (auctions are done twice a year) are as follows:

- 1/6 royalty to the State of Michigan
- 5-year primary term with option to renew for two one-year extensions
- $13.00/acre minimum bid
Direct lease terms include:

- To complete drilling unit
- To protect against drainage
- Terms are negotiable

Ms. Boyd further outlined the well drilling and drainage process. The standard drilling acreage is 40 acres, but most are on an 80-acre or larger site. She pointed out via a map an example of where the wellhead is located, the private drilling unit area and 40 acres within the state land. In one example, the well is draining the state-owned minerals. It would be offered for lease or the company would be asked to lease it. Chairperson Washington asked what if the company decided that they did not want to lease it. Ms. Boyd responded that if the company did not want to direct lease it for drainage, it usually is put in lands up for auction. Chairperson Washington asked if there was a way to recover the drainage. Ms. Boyd responded that the company legally has the right to drain. It is the “right of capture” rule. There is nothing illegal about putting a well next to someone who is not under lease but could be drained.

The oil and gas auction process consists of the following:

- Nomination process
- Parcel classification process – DNR Field staff reviews and makes determination how it should be leased – development (no restrictions or environmental concerns), development restrictions (limits rights on the surface, such as endangered species, timing of well drilling, road locations, etc.), nondevelopment (no activity allowed on the surface, such as a wetland) and nonleasable (land will not be leased at all, such as Pigeon River Country State Forest)
- Notification process
- Auctions held two times per year
- Oral, competitive bidding

Chairperson Washington asked if the federal government has the same classification system. Ms. Boyd responded that they have a classification system where a determination is made if the land is leasable or not leasable, but not quite the same layout as DNR has.

Ms. Boyd stated that since 2000, the DNR has received a total from Bonus and Rent from oil and gas lease auctions of $21.4 million. Most of this goes into the MNRTF.

Oil and gas prospecting includes:

1. Drilling the well:

   - Drilling rig
   - Monitoring the well
   - Mudlogging – taking samples of mud
   - Electric logs
   - Evaluation
2. Well completion:
   - Production casing
   - Well perforation
   - Stimulation
   - Testing

3. Well production:
   - Secondary containment required at all sites
   - Tank storage needed on-site for oil or water production
   - Facility equipment such as heater treaters may be necessary
   - Flowlines and right-of-way needed for natural gas production
   - Water disposal
   - Metering
   - Sales contracts
   - Directional drilling
   - Secondary recovery
   - Oil and gas prices

Ms. Boyd stated that an Antrim well could be drilled in a few days for about $200,000 and it could be well over $1 million to drill and complete a Prairie du Chien well over several months, excluding the cost of the leases.

Through June of 2006, $71.1 million in mineral lease revenues were generated. It is estimated that $91 million in revenue will be generated by the end of the year. Approximately 10 percent of that goes into the Game and Fish Protection Trust Fund, depending on how the property was acquired.

Mr. Charters asked about the price of a barrel of oil and wondered if that was the price the DNR was getting or is that the contract price when the well is drilled. Ms. Boyd responded it depends on the contract. We have to make sure it is a true third-party contract so they cannot sell to themselves.

Ms. Boyd continued by outlining the enhanced monitoring that is done to ensure the revenues is accounted for correctly. Processes include:
   - Verifying the state’s decimal interest
   - Reviewing monthly royalty remittances
   - Running reports to verify all rental and royalty payments have been received
   - Reviewing projects for shut-in-royalty
   - Historical division order project

Mr. Charters asked how many accountants were monitoring leases. Ms. Boyd responded that three accountants are involved in monitoring 7,000 oil and gas leases. With the additional accounting staff, additional revenue has been identified and collected that was due the MNRTF.
Ms. Boyd continued by stating that additional processes and tools used for accountability include:

- Conducting independently contracted audits
- Database improvements and clean-up – Land Ownership Tracking System (LOTS), Land Information System and on-line maps
- Lease compliance procedure

The contracted audit program began in 1996 to look at post-production costs, with the original focus being on the Antrim natural gas units. Post-production costs are costs the company is charging us to produce the gas. Today, audits are conducted on oil, all natural gas formations and nonmetallic products. There are currently nine companies under audit involving 52 oil and gas units.

Mr. Torre asked if the companies doing the audits were based in Michigan. Ms. Boyd responded that one is located in Texas and the other in Oklahoma. Michigan auditing companies could pose a conflict of interest as many of the companies are directly tied to the producing companies.

Ms. Boyd continued by stating that audit costs are supplemented by an additional $3.00 per acre paid with the oil and gas lease bonus. Since the December 1997 oil and gas auction, the DNR has received $1.5 million for audits. With the contracted audit program, the DNR has collected about $4.1 million at a cost of about $1.5 million to do the audits, with $418,000 in costs related to the pending audits. In 1996, the lease language was changed to state that the companies were responsible for paying for audits if there is a differential of five percent or more.

Ms. Boyd outlined the Section 29 contract. Facts include:

- Authorized under Part 5, 1994 PA 451, as amended
- Between Motor City Four (MC4) and the State of Michigan
- Effective April 1, 1997
- Impacts 2,800 Antrim natural gas wells
- MNRTF received $4.8 million in advance for 10 billion cubic feet
- Environmental Protection Fund – received additional $33 million for the tax credits
- Royalty payments go to MC4 for production between 57 Bcf and 67.8 Bcf
- In June 2005, reached 57 Bcf
- In July 2005, payments were due to MC4
- In December 2007, it is expected to reach 67.8 Bcf and the contract will end

Chairperson Washington asked if Ms. Boyd knew where the Bcf’s were currently. Ms. Boyd did not have that figure. Chairperson Washington asked what the involvement was specifically with Motor City Four. Ms. Boyd responded it is a holding company. Chairperson Washington asked if it would be possible sometime in the future to tell if the State of Michigan profited or lost as a result of this contract. Ms. Boyd believes it is possible to provide this information. Ms. Pollack would like some figures provided at the next Board meeting where it is so far. Ms. Boyd stated she had this revenue information and Motor City Four has been paid $23.5 million to date.

Ms. Pollack asked about the royalty rate, and wondered if the 1/6th figure was set by the Legislature or the NRC. Ms. Boyd responded it is set by the NRC. Ms. Pollack asked how long it has been since the NRC has looked at this rate. Ms. Boyd responded in 1981. The 1/6th
Ms. Pollack feels this rate should be looked at. Mr. Charters asked what kind of revenues come from metallics. Ms. Boyd responded she does not believe there are any royalties coming in for metallics. We don't have an active metallic mine. MNRTF revenues received for sand and gravel to date have been $663,363.

Chairperson Washington thanked Ms. Boyd for a very informative presentation.

Mr. Tom Bailey, Executive Director, Little Traverse Conservancy; Ms. JoAnne Beemon, Environmentalist, Charlevoix County Land Conservancy; Ms. Sarah Gay Dammann, Committee Member, Hayes Township; and Mr. Larry Sullivan, Planning Director, Charlevoix County – 06-129, Big Rock Point, DNR, Executive Division

Mr. Tom Bailey, Executive Director of Little Traverse Conservancy, made a PowerPoint presentation in support of 06-129, Big Rock Point acquisition project. He provided the Board with photographs of the project area for their information. He stated that Ms. Pollack had visited the site, and encouraged the other Board members to do so, as well.

Mr. Bailey stated that this is probably the most anticipated property to acquire in the history of the MNRTF, as Dr. Gordon Guyer, a former Board member, had talked about the property for years. He outlined the property boundaries via an aerial map. This property would include 560 acres and 1.5 miles of Lake Michigan shoreline.

Mr. Bailey introduced Ms. Sarah Gay Dammann, Ms. JoAnne Beemon and Mr. Larry Sullivan who accompanied him today to assist in the presentation. Ms. Beemon was the head protester the nuclear operations on the site.

Mr. Bailey outlined the other photographs that had been provided to the Board, which included the road leading to the big rock. The rock is 8- to 9-feet tall. Another photograph depicted an aerial view of Little Traverse Bay. The big rock was the primary point of departure for Indians in their return journey in the spring in the northern part of Michigan. A photograph of the spent fuel storage site was identified. The storage site has been patrolled by armed guards for years as a nuclear site.

The property contains hardwood uplands to a transitional forest, to wetlands (approximately 60 percent). There is a couple of flowing water courses on the property. In addition, there are some trails that have been identified on the property, and would require very little cleanup to be used immediately by the public. There are a couple of threatened and endangered species on the property. Ecological types on the property include wetlands contiguous to the Great Lakes, as well as wetlands farther inland on the property. Geological interests include Petoskey stones. Scallop bays that are very productive areas for fisheries and insect life have been identified. Piping plovers nest on the property.

At this point, Ms. Sarah Gay Dammann made comments. She has written about Big Rock Point as a free-lance writer for the New York Times, Chicago Tribune and Detroit News. The vision for Big Rock Point’s 500 acres of woodlands and 1.5 miles of shoreline is that future generations have the same opportunities as the current generation to enjoy it. The vision is threatened by the increasingly intense development of pressure from Traverse City and Harbor Springs. Preserving Big Rock and its near pristine forests and its undisturbed shorelines will create a break between high-end condo developments that would cut down the forests and line the shores with dense housing and cut Lake Michigan off from the public. What impressed her
most is the shoreline, where children could wade in and fishers could wade out casting for
rainbows and steelhead. She further emphasized the beauty of the forests, plants and wildlife
on the property.

Ms. Dammann further stated that Hayes Township, in which Big Rock is located, has passed a
resolution supporting the acquisition for public use and has publicly stated they would forego the
taxes. In addition, the township has formally stated that in its long-range plan that preserving
Big Rock in its natural state for public use is its highest priority.

Ms. Dammann addressed the issue of the spent fuel storage facility on the property. No matter
what happens to the land, by law, this is the responsibility and operation of the federal
government. She is convinced that the spent storage area is secure, and more importantly, that
the impact of the storage area on the entire site is minimal. This is a 500+-acre property, with
less than 100 acres in a secured area. If the property is not preserved, it will be developed by
the highest bidder. Wetlands will be threatened and the shoreland developed as densely as
possible. Preserving Big Rock will be preserved for many generations.

At this point, Ms. JoAnne Beemon noted that in the late 1970s, she chaired a group known as
“Concerned Citizens of Charlevoix, Michigan” and their intent was to close Big Rock. Her group
wanted to close Big Rock because they were concerned about spent fuel, the future storage of
spent fuel, nuclear power and general safety. The intervention between Big Rock and
Consumers Energy went on for over six years, and in the end Big Rock was given the ability to
move more spent fuel on the property. What brought Big Rock to a standstill were not
interveners or safety issues, but rather economics. When it was closed, a citizen advisory
board was organized and over time a lot of different company PR was experienced. The
company learned how to deal with environmentalists.

Ms. Beemon stated that her concern for spent fuel has not changed. When asked if she would
sit on a citizen advisory board for restoring the site, she agreed to do that. She has served on
the board for five or six years and she was often the only person who did not vote in support of
this project. She cannot change that nuclear waste has been created and is being stored in this
area. The vision is that someday our grandchildren will be able to go to a place of beauty and
diversity to learn and have inspiration.

At this point, Mr. Larry Sullivan made some comments. Approximately eight years ago, he
brought the issue of this property to the attention of the County Planning Commission, and that
they needed to take a serious look at it. He informed the commission that there were
tremendous recreation opportunities for this property. After many meetings and discussions,
the commission looked at the property and shares the same view for recreation opportunities.
They felt that this was a piece of property that should be acquired for recreational purposes in
the future. The property was the number one priority for acquisition in the Charlevoix County
Recreation Plan. The County Board of Commissioners had recently passed a resolution
supporting the project. Mr. Sullivan provided a copy of this resolution to the Board.

Mr. Sullivan estimates that the cost of the Big Rock property will be or exceed $11 million.
Charlevoix County’s annual operating budget is $11 million. The county would not be able to
come up with the local match needed to apply for the acquisition. Mr. Sullivan is aware of the
Board’s concern regarding ad valorem taxes on the property. If the property was acquired by
the state, there could be the possibility of it being deeded over to Charlevoix County and then
the county would enter into a long-term lease to lease the property back to the state for a 50- or
100-year time period.
Mr. Sullivan advised the Board that the county is open and willing to discuss how they can assist in this acquisition. This is a high priority for the county and do not feel that this opportunity for acquisition is going to come along again.

Ms. Pollack asked how big the property was. Mr. Sullivan responded that it is close to 550 acres. Ms. Pollack said that it is her understanding that the “dashed” line on the map is what Consumers Energy has applied to pay $30 million to another company to take care of the spent fuel area. The state and Little Traverse Conservancy are proposing to pay $20 million for the property, which means we still have the property. What is Consumers Energy contributing to this? This is not a good deal.

Mr. Bailey stated that if the Board wished, he could arrange to have a Consumers Energy company representative at the next meeting to further outline the proposal and discuss issues and concerns. Ms. Pollack further stated she wondered if we would be paying the right price for this property, given the fact that Consumers Energy has paid someone $30 million to take care of the spent fuel area.

Mr. Charters asked if this was the first nuclear plant to be decommissioned. Mr. Bailey responded that he believes it is the fourth one to be decommissioned, but it is the first one to be decommissioned to the point of a “green field.” Mr. Charters asked if the federal government has been approached about acquiring the property. Mr. Bailey responded that his group has had discussions with Congressman Stupak and Senator Levin and there was not much support for federal participation in terms of ownership. This project is on the list at this time to receive $3 million in federal funds from the coastal program. This project is 20th on a list of 41 projects to receive this funding. Congressman Stupak and Senator Levin have supported the coastal program funding. He believes when DNR staff presents this project to the Board that they will bring more information on the phasing of the project and the coastal grant.

Ms. Pollack stated that there is a case before the Public Service Commission regarding $140 million that Consumers Energy collected for the disposition of the plant when it was decommissioned. The property is not even in escrow for this purpose. There is the question of how much the ratepayers have already paid for this. She feels that Consumers Energy is looking at this as a way to have the public foot two-thirds of the bill of taking this off their hands and removing liability. This is after they have collected from the ratepayers once before. Consumers Energy needs to answer some questions as to how much money they are owned this land.

Chairperson Washington asked how much lakefront there was. Mr. Bailey responded 1.5 miles. Chairperson Washington asked what the total Lake Michigan lakefront was. Mr. Bailey responded he did not know the exact amount. Chairperson Washington stated that there are other linear lakefront miles in Michigan. He questions why we would want to buy 1.5 miles of it that has a nuclear waste site in the middle. He cannot imagine a scenario where he would support this project as long as this waste site is there, because there are hundreds of other projects that don’t have nuclear waste on them. The Board has a very limited amount of money to allocate for projects and is trying to use it as judiciously as possible. It seems to him from all he has heard as though the State of Michigan does not want to own this property. The federal government does not want to own this property. The Nuclear Regulatory Commission does not want to own this property. He cannot imagine someone advertising condos with a view of a nuclear waste site.
Mr. Bailey stated that there are single family homes right up to the property line that are bringing premium prices. Chairperson Washington asked if this area has always been patrolled. Mr. Bailey responded yes. Chairperson Washington added that he does not feel comfortable with this project. Mr. Bailey would hope the Board would visit the site to get a better understanding of it. Ms. Dammann added that the nuclear waste site is very small. Ms. Pollack asked how small it was. Mr. Bailey responded where the spent fuel is stored is about the size of a basketball court with a 300-foot perimeter around it, approximately 60 acres total including the entrance road.

Mr. Bailey also added that there seems to be a stigma of being close to hazardous waste. He feels we should get some definitive material from Consumers Energy and perspective from DNR staff. Chairperson Washington asked what happens if the acquisition is made and the company that is supposed to be in charge of safeguarding the nuclear waste site becomes lax or goes bankrupt. Whose responsibility would it be to take care of it? Mr. Bailey responded it would be the federal government’s responsibility.

Mr. Garner stated he will try and visit the site. He believes the bottom line is that this project will be a tough sell. He does not feel it is appropriate for the Board to discuss this project with Consumers Energy prior to the Board making a decision. The Board is dealing with an application. He feels the word needs to go back to Consumers Energy that this is an extremely tough sell and they need to put forth an effort if they want to sell it to the Board. If they want to come to the Board and make a presentation, they can, but it is inappropriate for the Board to request them to appear.

Chairperson Washington asked if there was any possibility that Consumers Energy would pull the spent fuel out and pool all of Michigan’s nuclear waste at one site. Mr. Bailey responded that it is his understanding that it has been discussed, but would require federal and state licensing.

Mr. Brent Michalak, Director of Planning and Zoning, Emmet County – 06-077, Camp Pet-o-se-ga Campground Facilities

Mr. Brent Michalak, Director of Planning and Zoning, Emmet County, made a presentation in support of 06-077, Camp Pet-o-se-ga Campground Facilities. The development would be to expand the campground to include additional campsites, replace the pit toilets along the beach, and replace the bath house.

Mr. Michalak stated that Mr. Dennis Keiser wanted to convey his appreciation for the Board’s 2005 recommendation of the Walloon Lake property acquisition in Bear Creek Township. Mr. Michalak also expressed his appreciation.

Mr. Geoff Fields, Mr. Jeff Noel and Mr. Mark Mitchell, City of Benton Harbor – TF89-114, Jean Klock Park

Mr. Geoff Fields, attorney for the City of Benton Harbor, made a presentation on behalf of the proposed conversion of a portion of Jean Klock Park. He had previously updated the Board on the conversion and is now ready to put together the formal request. He extended an invitation to the Board to visit the site.
During the month of August, a notice was published in the Benton Spirit and the Herald Palladium of the proposal and invited the public to participate and ask questions about the project. Public tours were conducted last Saturday with another one scheduled for this coming Saturday. The Commissioners are going to conduct hearings on August 22nd and 29th. Dial-a-Ride buses will be provided to the site.

Mr. Fields is in the process of drafting a lease and operating agreement that would deal with the park aspect of the project.

In the fall of last year, the City of Benton Harbor entered into an agreement with the City of St. Joseph concerning the Harbor Shores project, a multi-jurisdictional project encompassing a lot of Benton Harbor, as well as the City of St. Joseph and Benton Township. The idea is to take a lot of the dormant land and turn it into a place that would attract people to live and visit Benton Harbor and its surrounding communities. One feature for the property is a Jack Nicklaus golf course. In addition, city officials have been working for a couple of years to find ways to make better use of Benton Harbor’s lands, and parks and recreation. This could result in more jobs, training and employment opportunities. Harbor Shores has also been planning for this. The proposal would double the size of Jean Klock Park by expanding it away from Lake Michigan to encompass the Paw Paw River.

Mr. Fields outlined location and aspects of the proposed golf course for the Board via a map. He also provided pictures of the park taken last Thursday, where it showed no cars in the parking lot and with virtually no one at the beach. In addition, the park is in a state of disrepair. There has been a lot of speculation as to the golf course having holes on the beach. This is planned for inland areas that will enhance the beach use. The access road to the park would be relocated, as would the parking lot to the beach area so users can drive down immediately next to the beach.

At this point, Mr. Mark Mitchell from Harbor Shores Community Redevelopment, Inc. presented a PowerPoint presentation to further illustrate the golf course project and the economic investment and impact to the community. The economic impact of this project would directly and indirectly create 4,000 plus total jobs during the construction phase and 2,000 plus ongoing (after 2012). It would also create new consumer spending power and retail supply and demand.

Mr. Mitchell proceeded to outline the preliminary tax base for the Cities of Benton Harbor and St. Joseph and Benton Township. He also outlined the non-profit organizational structure for the development, which includes Whirlpool Foundation, Alliance for World-Class Communities and Cornerstone Alliance.

At this point, Mr. Jeff Noel from Whirlpool Foundation continued with the presentation. Whirlpool was founded in 1911 in Benton Harbor. There are 3100 employees. Recently Whirlpool announced that an additional 400 new jobs will be brought into the community. Whirlpool’s role in the development of this project includes:

- Donation of 40 acres (former manufacturing location) - $25 million value
- Provide leadership and resources to retain consultants to utilize property in the best and highest use
- Whirlpool commitment to utilize property to create jobs and tax base for the region, especially in Benton Harbor
- Interim underwriting and loans of up to $12 million
• Development costs absorbed less than $3 million

Ms. Pollack asked where Jean Klock Park was located on the map. Mr. Noel pointed the area out on map (area 34).

Mr. Noel stated that the areas outside the park at one time were used for manufacturing, within the Paw Paw River watershed area between St. Joseph and Benton Harbor. The challenge for developing the area is wetland problems, a deteriorating area and abandoned manufacturing facilities. Over the past 15 years, three separate consultants have advised to take this land area and create something like a golf course to attract a tax base in the community.

Mr. Noel continued by stating that Whirlpool will donate its land, which they have been offered $16 million in the past, in the City of St. Joseph. Whirlpool will cover all the front-end development costs of $3.6 million. They will lend to the not-for-profit entity $12 million. This loan will accrue interest and be given back to the community. In addition, Whirlpool has committed to the community with the following:

• 36 hours average employee donation of time to charitable causes
• $1 million annual challenge match for Cornerstone Alliance and the Alliance for World-Class Communities
• $650,000 annually for the Council for World-Class Communities
• Over $350,000 annually to Boys and Girls Club/First Tee Program
• $1.3 million annually to United Way
• Funding and appliances to Habitat for Humanity/HOPE VI projects
• Over $250,000 annually to various local organizations

Mr. Noel continued by saying that Whirlpool believes they have an obligation to make these commitments to the community. More importantly, they believe they should drive an economic engine that will create employment for the residents of the community. This would be a “win-win” situation for everyone. It would enhance recreation and enhance access to Jean Klock Park. In addition, there would be staggered prices for the residents and others to use the course. Golf is the driver to bring in tax base in areas that have been literally empty for 20 to 25 years.

Mr. Mitchell continued the presentation. Elements of the Benton Harbor community decline include:

• Erosion of traditional manufacturing base
• -0.9% population growth from 1970 to 2000
• Above-average exodus of 18-34 year old demographic in Berrien County between 1990 and 2000
• Geographic specific erosion of tax base
• Out-migration between 1995 and 2001 that cost the county $100 million in personal income
• Inconsistent educational attainment levels across the county
• Ten-year projected declining county-wide school enrollments
• Continuous county-wide retail loss to surrounding areas
Mr. Mitchell outlined the adult literacy estimates for Benton Harbor in comparison to the state estimates. He also outlined the economic conditions of St. Joseph, Benton Harbor and the United States averages. In all cases, Benton Harbor has significantly lower figures.

Chairperson Washington interrupted Mr. Mitchell by saying that the Board had heard a similar presentation previously. The question before the Board today is whether or not the Board will accept a conversion of Jean Klock Park. He feels the Board is not in a position to make that determination today.

Mr. Garner stated that he has complete empathy for Benton Harbor. Mr. Fields stated that he would like to brief the Board on the proposal for the park and again invited the Board to visit the area.

Mr. Fields stated that what is being proposed is to mitigate by expanding parcels located on the Paw Paw River. Lake Michigan will be physically linked to Benton Harbor. The magenta line on the map is Benton Township and is controlled by Harbor Shores. There will be a 50-foot easement that goes along the Paw Paw River. You will be able to go from the downtown area by a walking path or bike trail and go all the way to Lake Michigan without crossing the road.

Ms. Pollack asked who the Harbor Shores group was. Mr. Fields responded that this is a non-profit organization comprised of the Whirlpool Foundation, Cornerstone Alliance and the Alliance for World-Class Communities. Whatever money they make is turned back into the community. Ms. Pollack asked when Mr. Fields stated that the property in Benton Township is “controlled” by Harbor Shores, what does that mean? Mr. Fields responded that they have either purchased it or have options.

Mr. Fields stated that the parking is proposed to be relocated by the beach. The park is being proposed for expansion. It would become a linear park that encompasses a river and lake.

Discussion ensued on the proposed changes to the Jean Klock Park and where the golf course would be located.

Mr. Charters asked DNR staff if this park originally was a development grant. Mr. Wood responded yes. Mr. Charters asked if what is being requested is a conversion of a development grant that will be mitigated by a land acquisition. Mr. Wood responded yes. Mr. Charters asked if this was the first time this has ever happened. Mr. Wood responded no. If it were only a development grant that went into the site, the Board has the option to consider other types of mitigation. The intent is to provide land as mitigation regardless of acquisition or development.

Mr. Charters asked Mr. Fields about a public hearing and wondered if that was for seeking approval of the citizenry of Benton Harbor or to educate residents to Harbor Shore’s wishes. Mr. Fields responded to educate and get feedback. The DNR has guidelines for this. The city would never sell this park space. If the golf course goes away, the park stays. Mr. Charters wondered if the approval has already been made by the city commission. Mr. Fields responded that the city commission will be asked to approve it in early September. They have already signed a memorandum of understanding to negotiate in good faith towards this. Mr. Charters wondered what happens at the hearing if the public comes out in strong support against this conversion. Mr. Fields responded that the city commission will have to weigh the value of that.

Mr. Noel stated that the Board is not being asked to approve the conversion today. The intent was to come in and give another update and also to make sure the Board was aware of where
they were with the project. With two years of involvement, they have a developer, additional funding, and bank financing. It was felt that the Board needed to be updated on the project, adhere to the guidelines with public hearings and tours and city commission involvement. If all of this is accomplished, would the Board consider a special meeting to decide this conversion to allow us to proceed?

Mr. Garner asked bottom line what is being asked of the Board today. Mr. Noel responded the potential of a special meeting and for the Board to visit the site and perhaps visit with residents. Mr. Garner asked what is the process for making a decision for a special meeting. Mr. Charters stated from his past experiences with special meetings, when projects were formally ready, then it would be requested. Mr. Garner asked who would set the special meeting. Chairperson Washington stated that we could make a motion to have a special meeting, if needed.

MOVED BY MR. GARNER, SUPPORTED BY MR. CHARTERS, IF A SPECIAL MNRTF BOARD MEETING IS REQUIRED TO MAKE THE FINAL DECISION ON THE CONVERSION OF THE JEAN KLOCK PARK, THAT IT BE CALLED AT THE DISCRETION OF THE CHAIR OF THE BOARD.

Ms. Pollack asked what the history was of special meetings to accommodate certain projects. She is concerned about having adequate public notice and public involvement. We have a history with the Jean Klock Park. The people who posed the past conversion of the park, which was approved by this Board, were not even aware the MNRTF Board existed. A year or two ago, she was new to the Board. She asked the question then if there was any local opposition to the earlier conversion and the response received was no. She remembered this very clearly. The truth now is that there is local opposition. They have manifested to the point of going to court. She also asked if there were going to be further conversions and the response was no. The Board does not have a good history of honest exchange between people who are asking to take part of this park and local concerns. She objects to a special meeting.

Chairperson Washington stated that the question currently under discussion is does the Board want a special meeting and how would that logistically take place. He believes as chair he can decide to have a special meeting. Mr. Wood responded that is correct. Chairperson Washington asked if this could be called with or without a motion. Mr. Wood responded yes. He read the bylaws pertaining to special meetings into the record.

Mr. Garner withdrew his motion and Mr. Charters withdrew his support.

Ms. Pollack wanted a response to the charge that she was lied to about no public opposition. Mr. Fields responded that he respectfully disagreed with this allegation. The lawsuit was filed in 2003. At the time the city commission decided to undertake the project, the lawsuit was settled before a proposal was made to the DNR, as Mr. Wood informed him he would not listen to the proposal until the lawsuit was settled. The lawsuit which Ms. Carol Drake and others signed and approved specifically said we would go to the DNR for approval. The next year and a half was spent working with DNR staff to make sure all was correct. This was the second time he had been before the Board for approval. Through all the hearings and approval of the city commission, he never had one person object to the mitigation proposal that was being submitted to this Board.

Ms. Pollack responded that she feels a reasonable interpretation of her inquiry at the time would have called for an answer that said that there were objections and that they had been settled. They were settled in court. The original plan was clearly objected to. People didn’t want the
fact that they had to accept the court’s judgment is a fact of life. A better answer then and a better answer now in terms of trust that needs to be developed would have been different than the one that was given to her. She was clearly led to believe that the public embraced this project. Mr. Fields responded that to his memory, every time he has spoken in public he has been quite candid that there are people who will oppose anything in Benton Harbor. He has not been to a single meeting where there has been any proposal where there has not been opposition. He went through every process the DNR required. The people who participated in the Jean Klock Park lawsuit not only signed the agreement to sign off on it, they signed off on an agreement that said they would support it and not state anything negative to it because this was a win-win for everybody involved.

Ms. Pollack wants to state for the record that she believes that her prior vote was cast without a substantial amount of pertinent information that would have been helpful to her in making her vote.

Mr. Garner added that he remembers it was a “hornet’s nest” all the way through.

Chairperson Washington stated that if he is to call a special meeting, a concrete, bonafide plan needs to be in place.

Ms. LuAnne Kozma, Director, Defense of Place – Jean Klock Park

Ms. LuAnne Kozma, Director of Defense of Place, made a PowerPoint presentation in opposition to the Jean Klock Park conversion. She provided the Board with materials for their information.

In 1917, the Klock family bought and gifted 90 acres of park land and deeded it to the City of Benton Harbor. The property was to be used as a park in perpetuity. In the dedication, Mr. Klock emphasized how the park belonged to the people, especially for the children. The Klocks were so insistent the park be permanent that they emphasized the word “forever” three times in the deed and capitalized it.

The famed landscape architect Jens Jensen’s original plan for the park is still evident today. The entire park is an area of historic significance. Harbor Shores’ plan to intrude on and replace the dunes with fairways, relegate marsh to open water for golf and parcel out park land into mitigation properties on wetlands is not keeping with what the Klocks, Jensen or the residents of Benton Harbor envisioned when they first embraced the park.

The City of Benton Harbor accepted over $1.7 million in state and federal grants to improve Jean Klock Park, including Land and Water Conservation Fund (LWCF) and MNRTF dollars. The grant funds represent a substantial public investment to the park system in Benton Harbor. For the LWCF grant portion received, the city must comply with the federal government’s Section 6(f)(3) that states no property acquired or developed with assistance from the LWCF be converted to other than public outdoor recreation uses without the National Park Service’s approval.

Unless Harbor Shores plans to provide other Benton Harbor recreation properties on Lake Michigan, the mitigation properties will not be equivalent with uses and location. Ms. Kozma identified via photographs properties that were used to mitigate for Lake Michigan frontage and dunes in Jean Klock Park.
In the 2004 consent judgment with “Friends of Jean Klock Park” the court permanently enjoined the city from using any portion of the property in the park for any purpose other than bathing beach, park purposes and other park related purposes or park use, except for recreational vehicle park campsites. Ms. Kozma does not feel that a high end golf course not owned by the City of Benton Harbor fits this definition of park use.

Ms. Kozma urges the Board to not approve the conversion of Jean Klock Park.

Mr. Hurley Wallace – Jean Klock Park

Mr. Hurley Wallace, a resident of Benton Harbor, provided the Board with a list of people who are in opposition to the Jean Klock Park conversion. He read a letter into the record to further express his opposition. He previously served on the city commission, and thought that the sale of property on Grand Boulevard would be the conclusion of encroachment to the park. He wants to follow the wishes of the Klock family and leave the park for others to enjoy forever.

Mr. Wallace further stated that there are three golf courses in Benton Harbor and Benton Township. He feels the citizens were misinformed about the Harbor Shores project.

Mr. Torre asked Mr. Wallace when these objections were brought forward in conjunction to the project. Mr. Wallace stated he collected the signatures within the last three or four days.

Mr. Clellen Bury – Jean Klock Park

Mr. Clellen Bury, a resident of Benton Harbor, made a presentation in opposition to the Jean Klock Park conversion. He read a letter from Mr. Scott W. Howard of the law offices of Olson, Bzdork & Howard expressing his opposition to the conversion.

Mr. Garner asked how much money was provided to Jean Klock Park for development. Mr. Wood responded $375,000. Mr. Garner asked if the city could give the money back to the MNRTF. Mr. Wood responded that there was an occasion in the past where money was returned for a project.

Ms. Carol Drake, Friends of Jean Klock Park – Jean Klock Park

Ms. Carol Drake, member of Friends of Jean Klock Park, made a presentation in opposition to the Jean Klock Park conversion. She stated that Whirlpool was the leader in pulling industry out of Benton Harbor. Now they want to save Benton Harbor, but for many years abandoned them.

Ms. Drake further stated that over the years there have been various levels of protection to protect Jean Klock Park, starting with the deed, state and federal grants, and a court Consent Judgment. Her group is wondering why it is necessary to appear before the MNRTF Board.

Ms. Drake continued by stating that her group has asked the developer to find alternative sites for the golf course without using the park. They maintain that a Jack Nicklaus signature golf course requires a water view and without the portion of Jean Klock Park, the course would not qualify. Last week she spoke with a person from Nicklaus Design, and found out that a requirement for a signature course is acreage and that a water view is not required.
The developer has stated that the proposal would expand the park when the proposed mitigation would destroy greenspace and the park’s continuity. In addition, endangered plant species would be destroyed, which would be located on the 18th hole fairway.

The developer states that this golf course qualifies for public use. There is a gross difference between the historical use of Jean Klock Park by the general public and an elitist, privately-owned golf course. They are not the same.

Ms. Drake stated that there are not 90 acres in the park. In the late 1940’s the state took some of the property for a cloverleaf on M-63. In 2003, the Michigan Department of Transportation gave the property back, but the city did not return the property to the park. Nine acres of the park were sacrificed in 2004 for a conversion, and the size of the park was then 73 acres.

The parking lot is not attractive. The developer is proposing parking by the beach, which aesthetically will ruin the south end of the park. The original design of the park was a double-brick road boulevard that ran through the north and south end. The Consent Judgment says the park was supposed to be reopened with the north end for access as originally designed. The city has not complied with that. Entrances have been closed off, and visitors must walk hundreds of yards to the water.

Ms. Pollack asked if people could still park in the parking lot. Ms. Drake responded yes, but the Consent Judgment said the park was supposed to be reopened at the north and south ends.

**Mr. Lawrence Streeter – Jean Klock Park**

Mr. Lawrence Streeter, a resident of Benton Harbor, made comments expressing his opposition to the conversion of Jean Klock Park. One of his concerns with the conversion is accessibility to Lake Michigan for park users.

He further stated that building a golf course in this area would not enhance the quality of life for the residents and children of Benton Harbor. He also expressed that the residents of Benton Harbor were not adequately informed of these proposed changes.

Ms. Pollack had a question for Mr. Fields. She asked with the existing plans today for the park, what is the access proposed for users to get to the beach and get across the street. Mr. Fields responded that if they used the trails, there would be an underpass. There would also be a bus program, as this is a distance. They are working on a linear path proposal with an underpass. Ms. Pollack asked what the cost to use the golf course would be. Mr. Fields responded he does not have a fee schedule. It is being proposed that a city parks panel will review the fee schedule and require discounts for city residents.

**Mr. Ralph Crenshaw, Commissioner, City of Benton Harbor – Jean Klock Park**

Mr. Ralph Crenshaw, Commissioner for the City of Benton Harbor, made comments expressing his opposition to the conversion of Jean Klock Park. He believes both sides should be truthful and honest and know all the facts involved.
IV. OLD BUSINESS.

2006 Application Review – August 1 Applications

Mr. Wood advised the Board that 14 applications were received by the August 1st deadline, totaling $7.2 million.

Update on “Access to Recreation” Initiative

Chairperson Washington suggested that this agenda item be tabled until the October 18, 2006 Board meeting.

MOVED BY MS. POLLACK, SUPPORTED BY MR. TORRE, TO TABLE DISCUSSION OF THE UPDATE ON “ACCESS TO RECREATION” INITIATIVE UNTIL THE OCTOBER 18, 2006 BOARD MEETING. PASSED.

V. NEW BUSINESS.

2007 Draft MNRTF Criteria

Chairperson Washington suggested that this agenda item be tabled until the October 18, 2006 Board meeting.

MOVED BY MR. GARNER, SUPPORTED BY MS. POLLACK, TO TABLE DISCUSSION OF THE 2007 DRAFT MNRTF CRITERIA UNTIL THE OCTOBER 18, 2006 BOARD MEETING. PASSED.

Heritage Park, City of Taylor – PROJECT CONVERSION

Previously discussed and action approved at time of presentation by Mr. Joseph R. Nardone and the Honorable Geno Salomone.

Jean Klock Park, City of Benton Harbor – PROJECT CONVERSION

No action taken at this time.

VI. STATUS REPORTS.

DNR Real Estate Report

Mr. Wood advised the Board that this report was in their packet of information. Mr. Ed Meadows, Manager of Real Estate Services Section, Office of Land and Facilities, DNR, was in attendance at the meeting, but needed to leave.

No further discussion.

Local Projects Completion Report

No discussion.
Financial Report

Mr. Charters had questions regarding the financial report. He wondered why there was $6 million less estimated revenue and wondered if the volume was going down. Mr. Dennis Fedewa, Chief Deputy, DNR, responded this was because of the Section 29 contract. He added that these are primary estimates and totals should increase by the October meeting.

Mr. Charters had a question about the Payments-in-Lieu of Taxes. He noticed the 2005 and 2006 cycle figures were the same. He was under the assumption that taxes were going up. Mr. Fedewa responded that taxes will be going up. We will not know what the taxes are until all the summer taxes are paid. We will have a better estimate at the October Board meeting.

Mr. Charters commented about the $314,000 payment to the Department of Information and Technology (DIT). He feels this is a lot of money for them to be receiving. Mr. Fedewa responded that a cost allocation is done between restricted funds in the DNR through a statewide allocation plan process. This is how all restricted funds are allocated. He also added that the DNR has detailed budgets from DIT that are done every year.

Mr. Charters asked about the Land Ownership Tracking System (LOTS) Development expenditure of $257,000 and wondered how long this was going to go on. Mr. Fedewa responded that there are continued enhancements for LOTS, as well as maintenance and operation of the system. Mr. Charters asked if the LOTS expenditure was in addition to the $862,600 expenditure for Forest, Mineral and Fire Management Division. Mr. Fedewa responded yes; the expenditure for Forest, Mineral and Fire Management Division is for salary and wages and CSS&M for staff in the Mineral and Land Management Section.

Mr. Charters asked about the $234,700 expenditure for Other Departments. Mr. Fedewa responded that any type of expenditures the DNR has must go through the Department of Management and Budget’s procurement process. There is a 5% surcharge that they take out for each transaction. There are also Attorney General fees that are prorated. In addition, there is a statutory requirement that the Department of Civil Service receives a 1% fee, assessed across all restricted funds.

Lump Sum Report

No discussion.

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, October 18, 2006, Clarion Hotel and Conference Center, 3600 Dunckel Drive, Lansing, Michigan.
IX.  ADJOURNMENT.

MOVED BY MR. GARNER, SUPPORTED BY MR. TORRE, TO ADJOURN THE MEETING.  PASSED.

The meeting was adjourned at 12:40 PM.

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

James Wood, Manager
Grants Management

DATE