Form 1100-1
Rev. 5-91

NATURAL RESOURCES BOARD AGENDA ITEM

Item No. 3.B.5

SUBJECT: LAND ACQUISITION AND PROJECT BOUNDARY MODIFICATION - KETTLE MORAINE STATE FOREST- WAUKESHA AND WALWORTH COUNTIES

FOR: AUGUST BOARD MEETING

TO BE PRESENTED BY: Richard Steffes

SUMMARY: The Department has obtained an agreement to purchase 970 acres of land from Rainbow Springs Golf Company, Inc., and U.S. Residential Golf Properties, Inc., for $10,800,000 for the Kettle Moraine State Forest-Mukwonago River Unit in Waukesha and Walworth Counties. The item is being submitted to the Board because of cost, because this is a new unit for the project and for approval of the funding plan.

Known as the Rainbow Springs property, this land is proposed for purchase for natural resource protection as well as for public recreation as a new unit of the Kettle Moraine State Forest. The land is not currently within a state project boundary. The tract is located in southwestern Waukesha County and northwestern Walworth Counties, four miles west of the City of Mukwonago and three miles north of the Village of East Troy. The 1,800-acres at the LuLu Lake State Natural Area abuts the Rainbow Springs property. The Nature Conservancy co-manages the LuLu Lake State Natural Area with the Department and TNC has identified the Mukwonago River Watershed/Corridor as one of three global focal sites in the state. The Kettle Moraine State Forest is located a few miles to the northwest. Since the Rainbow Springs property is large and offers many different nature-based recreational opportunities, the Department is proposing to add this as a unit to the state forest.

Land acquisition guidance in NR 1.40 Wisconsin Administrative Code establishes priority criteria to be considered when acquiring lands. These include lands that protect rare and threatened natural resources; are unique, one-of-a-kind opportunity; are protective of water-based resources; have land sufficient to support broad natural resources based outdoor recreation and trails; are within 40 miles of Wisconsin's 12 largest cities and protect scenic lands that meet department priorities. The Rainbow Springs property meets all six of these priority criteria. In addition, NR 1.42(2) allows the Department to acquire lands for a state forest outside of a boundary when these lands are needed for specific purposes. Because of this property's exceptionally valuable resources associated with its wetland and upland complex, a natural lake and ¾-mile of Mukwonago River corridor, the acquisition of this property is proposed for the Mukwonago River Unit of the Kettle Moraine State Forest.

Due to the size of the transaction, the Department requests that the Board authorize "borrowing ahead" from the Stewardship program's overall bonding authority for this purchase. This will protect the exceptional Mukwonago River property while allowing progress on currently pending transactions for conservation projects in other parts of the state.

RECOMMENDATION: That the Board 1) approve the purchase of 970 acres of land for $10,800,000 for the Kettle Moraine State Forest and designate it as the Mukwonago River Unit;. and; 2) authorize the Department to "borrow ahead" from the Stewardship debt authority in the amount of the purchase price of $10,800,000.

LIST OF ATTACHED MATERIALS:

No ☒	Fiscal Estimate Required	Yes ☐	Attached
No ☒	Environmental Assessment of Impact Statement Required	Yes ☐	Attached
No ☐	Background Memo	Yes ☒	Attached

APPROVED:

Real Estate Director, Richard E. Steffes - LF/6 — Date

Administrator, Laurie Osterndorf - AD/8 — Date

Secretary Matthew J. Frank - AD/8 — Date 7/17/08

cc: P. Delong AD/8
S. Miller – LF/6
R. Steffes – LF/6
L. Ross – AD/8
D. Schuller – PR/6
G. McCutcheon – SER/Milwaukee

CORRESPONDENCE/MEMORANDUM

State of Wisconsin

DATE: July 16, 2008 FILE REF: SF-149

TO: Governor Doyle

FROM: Mathew J. Frank

SUBJECT: Proposed Land Acquisition, Rainbow Springs Property, File # SF-149
Approval Requested by September 14, 2008

1. PARCEL DESCRIPTION:

Kettle Moraine State Forest-Mukwonago River Unit
Waukesha and Walworth Counties

Grantor:

Rainbow Springs Golf Company, Inc. and U. S. Residential Golf Properties, Inc.
c/o Attorney Martin Greenberg
Greenberg and Hoesche, LLC
3127 West Wisconsin Avenue
Milwaukee, WI 53208

Acres 970
Price: $10,8700,000
Appraised Value: $11,200,000 and $9,380,000
Interest: Purchase in fee.
Improvements: A 36-hole golf course, clubhouse and miscellaneous improvements, a partially demolished hotel and convention center and residence.

Location: The tract is located in southwestern Waukesha County and northwest Walworth County, four miles west of the City of Mukwonago and three miles north of the Village of East Troy.

Land Description: The land varies from level to rolling.

Covertype Breakdown:

Type:	Acreage:
Water	40
Wooded Upland	300
Cropland/field/open land	150
Flood Plain and Lowland Corridors	240
Developed land: Golf course/Buildings/Roads	240
TOTAL	970

Zoning: Conservancy, Environmental Corridor, Floodplain and Agriculture, and Rural Home Development
Present Use: Golf Course and Proposed Residential Subdivision
Proposed Use: Resource Protection and Public Recreation
Tenure: 13 years
Property Taxes: $59,100
Option Date: July 16, 2008

Comments: The landowners are retaining a lease of 240 acres and the golf course for a 2-year term as part of the negotiated price. After the lease terminates, the golf course, which is largely in the floodplain of the Mukwonago River, will be removed and the area restored to a natural condition.

Stewardship Access: All types of nature-based outdoor recreation, including hunting and trapping, is anticipated for this land. After purchase, the Walworth County part will be open immediately; the Waukesha County after land restoration, which may take two or three years.

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2. JUSTIFICATION:

The 970-acre Rainbow Springs Golf Company, Inc., and U.S. Residential Golf Company property is proposed for purchase for forest management and natural resource protection, as well as for public recreation as part of an addition to the Kettle Moraine State Forest. The tract, known as the Rainbow Springs property is located in southwestern Waukesha County and northwest Walworth County four miles west of the Village of Mukwonago and three miles north of the Village of East Troy. Currently, the Department has ownership and manages in partnership with The Nature Conservancy abutting property to the southwest as part of the LuLu Lake State Natural Area Project. The Southern Unit of the Kettle Moraine State Forest is a few miles to the northwest. Staff from that project would manage this land.

Land acquisition guidance in NR 1.40 Wisconsin Admin. Code establishes priority criteria to be considered when acquiring lands outside of a designated boundary. These include: Lands that protect rare and threatened natural resources; lands that are unique, one-of-a-kind opportunity; lands that are protective of water-based resources; lands that are sufficient to support broad natural resources based outdoor recreation and trails; are within 40 miles of Wisconsin's 12 largest cities; protection of scenic lands that meet Department priorities. The Rainbow Springs property meets all six of these priority criteria. In addition, NR1.42(2) allows the Department to acquire lands for a state forest outside of a boundary when these lands are needed for specific purposes. Because of this property's exceptionally valuable resources associated with its wetland and upland complex, a lake and ¾-mile Mukwonago River corridor, acquisition is proposed to be designated as the Mukwonago River Unit of the Kettle Moraine State Forest.

The Rainbow Springs property is located in the Mukwonago River watershed and contains many headwater springs supporting the high water quality and species diversity found in the basin. The Land Legacy recommendations indicate that this basin is a priority area for preservation. The property was partially developed in the late 1960's as a golf course/resort facility. An incomplete lodge, hotel/conference center, was destroyed by fire in 2003. However, the pro-shop with clubhouse and a 36-hole golf course are currently functioning on the subject. The remainder of the property is relatively undeveloped with a mix of agriculture, remnant oak and savanna, wetlands, and some pine plantations. If acquired, the golf course and associated facilities will be leased back to the owners for two years for $1.00 as part of the negotiated terms. The Department plans to restore the entire property to a natural condition over a period of a few years.

The frontage along the Mukwonago River is classified as an outstanding water resource and a Class II trout stream. In addition, the subject will include the entire frontage around Rainbow Springs Lake, a 38-acre natural seepage lake and a rare commodity in this urbanized portion of our state. The property is part of the natural resource rich, Mukwonago River Valley Watershed/Corridor. This Mukwonago River Watershed/Corridor is one of three global focal sites for The Nature Conservancy's wetland network.

Acquisition would provide additional department acreage adjacent to the 1,800-acre Lulu Lake State Natural area project. Central to the importance of this habitat is the Mukwonago River, a tributary stream to the Fox River. The river system includes both the exceptional resource water of Lulu Lake and outstanding resource water of the Mukwonago River downstream of Eagle Spring Lake. The Mukwonago River system, including its lakes and tributaries, supports 59 species of fish, seven of which are listed as endangered, threatened or species of special concern in Wisconsin. It is also one of the most biologically rich mussel habitats in the State of Wisconsin, supporting 16 species and the only viable population of the state endangered Rainbow Shell Mussel, as well as other state-listed threatened, endangered and species of special concern.

Management plans for the property include an emphasis on restoring decreasing wetland types, palustrine emergent wetlands, riparian wetlands, and adjacent uplands. Restoration and protection of these lands will directly benefit wetland and grassland species to include: breeding habitat for several waterfowl species such as mallards, blue-winged teal, wood ducks, sandhill cranes and Canada geese; foraging, nesting, and migratory stop-over habitat for several species of shorebirds, waterfowl, and water birds such as Wilson's phalarope, greater yellowlegs, northern pintail, lesser scaup, American bittern, black tern, and marsh wren; nesting habitat for grassland bird species of concern such as sedge wren, dickcissel, eastern meadowlark, and grasshopper sparrow. The project will also develop critical habitat for the state-listed Blanding's turtle; establish refugia for state and federally listed plant species such as prairie bush clover, kittentails and

prairie white-fringed orchid; improve surface and ground water quality; reduce flooding; develop economically important recreation areas; and enhance aesthetics.

The Department of Natural Resources, The Nature Conservancy, Waukesha County and local land trusts have invested in the protection of important uplands, wetlands and waterways that contribute to the diversity of wildlife found in this area. Within the watershed, the Wisconsin Department of Natural Resources and The Nature Conservancy own approximately 6,200 acres between five designated State Natural Areas and State Wildlife Areas. The Mukwonago River Watershed also lies adjacent to the Southern Unit of the 20,460-acre Kettle Moraine State Forest, and the 4,600-acre Vernon Marsh State Wildlife Area, that provide additional habitat for migratory bird species. Historically, the 55,175-acre Mukwonago River Watershed was a glaciated mosaic of wetlands surrounded by tall grass prairie and oak savanna. Even though much of this habitat continues to be threatened by agricultural activities and development, this rolling glaciated landscape has the region's highest overall duck densities. Benefits produced from this initiative provide nesting habitat for wetland-associated bird species, provide foraging and migratory resting habitat for shorebirds, waterfowl, and other water bird species, and protect rare and endangered plant and animal species.

The Kettle Moraine State Forest-Southern Unit was established in 1936 to provide recreational opportunities in the southeastern portion of the state and to protect the natural and scenic values of the Kettle Moraine landscape. The property is used by the public for hunting, fishing, trapping, cross-country skiing, camping, hiking, and other outdoor recreation. In addition, the geologic and natural values of the area are used for research and education. The project, an all season property, is located in southeastern Wisconsin in Waukesha, Jefferson, and Walworth Counties. The forest is located about 35 miles west of Milwaukee, within 100 miles of five million people. Total attendance in 2003 was 1,343,000 making it one of Wisconsin's busiest state parks/forests. KMSF-SU is heavily hunted and the Rainbow Springs land will be open for hunting. The golf course including a buffer area totals about 240 acres. This area is subject to a lease-back agreement for a 2-year term at $1.00 per year, retained by the seller as part of the purchase price negotiations.

The Department recommends the purchase of the Rainbow Springs parcel to provide for public recreation, to prevent incompatible use, and to consolidate state ownership in this area. The Department of Natural Resources, in partnership with Waukesha County and The Nature Conservancy, will restore critical habitat needed in a developing area. By accomplishing conservation goals of this proposal, the public will realize all of the benefits that healthy wetland and river ecosystems provide.

3. FINANCING:

State Stewardship bond funds are anticipated. Provisions of s. 23.0917(5)(dm), Wis. Stats., allows for borrowing ahead for special land purchases with approval of the Natural Resources Board and the Legislature's Joint Committee on Finance.

	Funds allotted to program:	Balance after proposed transaction:
Stewardship:	$10,800,000	$0

Comments: s. 23.0917(5)(dm), Wis. Stats., provides for borrowing ahead from future years' Stewardship bonding authority for use of the land acquisition subprogram if the Natural Resources Board determines that the current annual bonding authority is not sufficient for the activity, that the land involved is uniquely valuable in conserving natural resources and that delaying costs to a future year is not reasonably possible. By its action in approving the Rainbow Springs transaction, the Natural Resources Board is also approving the funding as proposed in this document. Subsequent to Board approval, the Department will seek approval of the funding plan by the Legislative Joint Committee on Finance and the Governor. Future years' Stewardship expenditures will be reduced accordingly, to account for the amount advanced for this purchase.

4. ACQUISITION STATUS OF THE KETTLE MORAINE STATE FOREST-MUKWONAGO RIVER UNIT:*

Established: 1936

Acres Purchased to Date: 21,073.37
Acquisition Goal: 29,185.0 acres
Percent Complete: 72.2%
Cost to Date: $13,182,989

*Comments: If approved by the Natural Resources Board at its August 2008 meeting, the new Mukwonago River Unit will be set up in the land records with an acreage goal of 970 acres.

5a. APPRAISAL:

Appraiser: Linn Duesterbeck and Troy Kruser (Private Appraisers)
Valuation Date: July 10, 2008
Appraised Value: $11,200,000
Highest and Best Use: Golf course business and low density residential

Allocation of Values:

a. Walworth County Land: $4,935,000
b. Waukesha County Land: $6,265,000

Appraisal Review: Doug Haag – July 14, 2008

5b. APPRAISAL:

Appraiser: Steven Vitale (Private Appraisers)
Valuation Date: July 8, 2008
Appraised Value: $9,380,000
Highest and Best Use: Golf course use and low density residential

Allocation of Values: The appraiser did not allocate values between counties.

Appraisal Review: Doug Haag – July 14, 2008

Comment: This was an extremely challenging appraisal assignment given the diversity of existing and proposed uses, the mixture of zoning existing on the properties, the fact the property was located in two counties, the extraordinary nature of the natural resources located on the property and unique size of the property. The appraisals established a reasonable range in which the Department was able to negotiate the purchase of the property. The landowner retained Dennis Russell appraisal Services, which estimated value at $14,100,000. They have agreed to sell the land to the state for $10,800,000 or $3,300,000 less than their appraised value.

RECOMMENDED:

Richard E. Steffes — Date

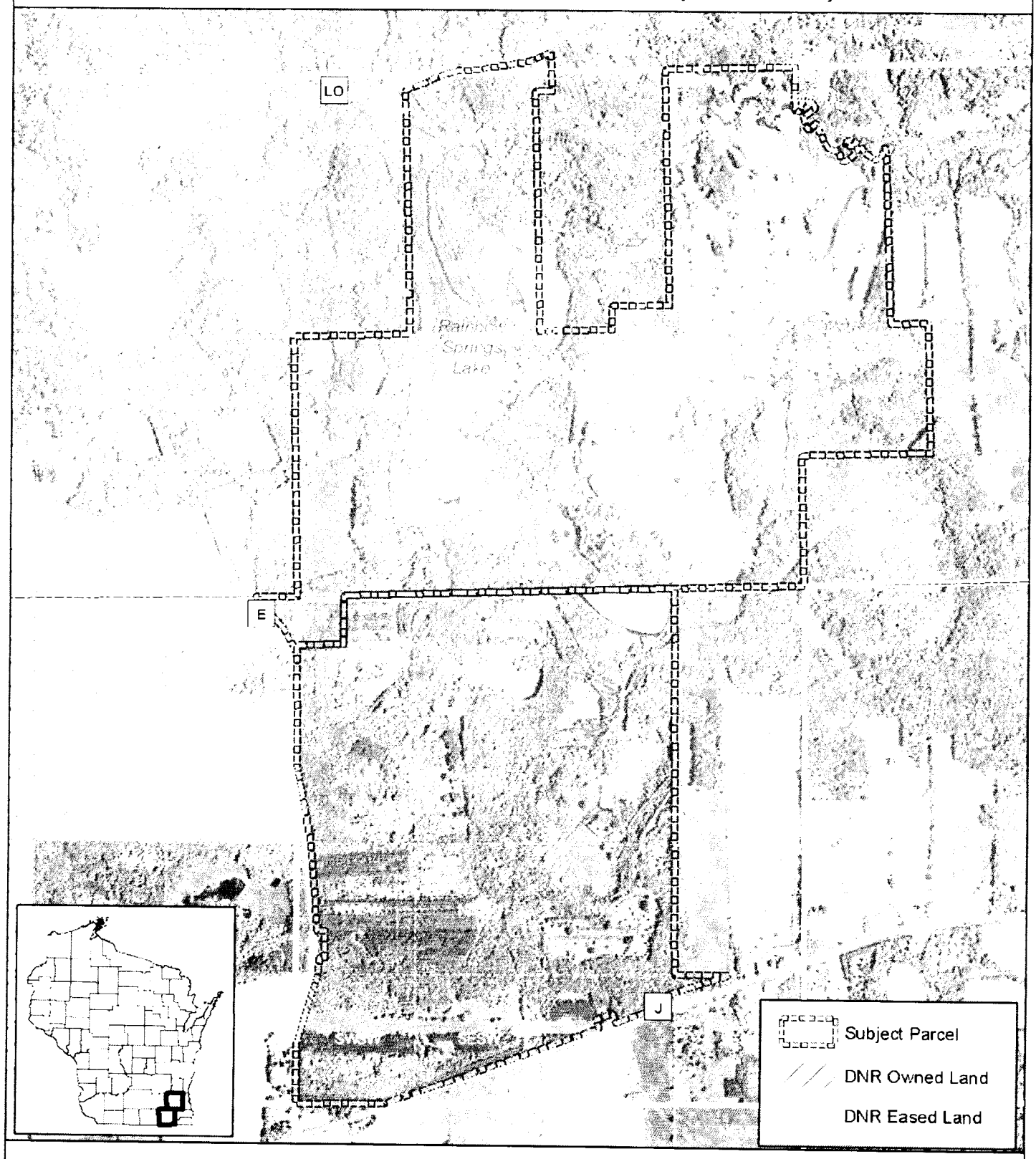
Joseph Wm. Renville
Bureau of Legal Services — Date 7/17-08

Laurie Osterndorf — Date 7/17/08

RES:ch

Rainbow Springs Property

T 5N, R 18E, Sections 30 & 31 & 32, Town of Mukwonago, Waukesha County & T 4N, R 17E, Section 1, Town of Troy, Walworth County & T 4N, R 18E, Section 6, Town of East Troy, Walworth County



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0 1,150 2,300 4,600 6,900 Feet

Created by Bureau of Facilities and Lands
Real Estate Section
July 10, 2008

Rainbow Springs Property

Kettle Moraine State Forest - Mukwonago River Unit

Subject Property

WDNR Owned

WNDR Eased

WDNR Leased

Ice Age Trail

Project Boundary

0 1.5 1 Miles

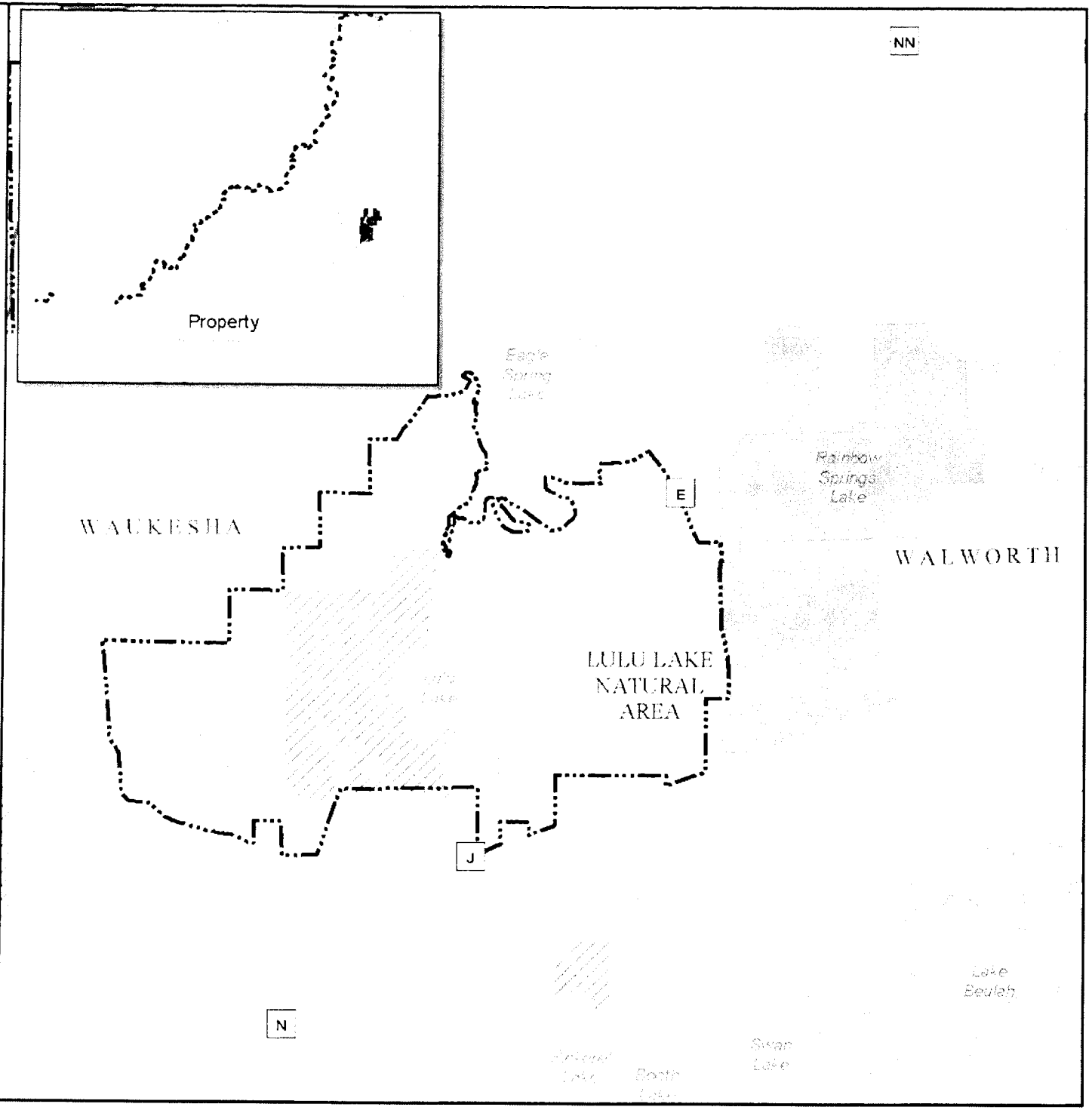
The DNR Managed Lands represent the boundaries of lands managed by the Wisconsin Department of Natural Resources. The Wisconsin DNR manages these lands through ownership, easement or lease rights. This data set is a spatial representation of the Grade Land Records System maintained by the DNR, Bureau of Facilities and Lands. It is and may include errors and/or omissions. The data should not be interpreted as a legal representation of legal ownership boundaries.

This data set does not differentiate between lands that are open or closed to the public for hunting and/or general public access. Some lands represented in this data set may not be open to the general public or may have specific limitations or restrictions on public use. This data set is not intended for use as a land management tool. It is a listing of DNR real estate transactions that have occurred on these lands over time.

For information about the actual management, including public use and public access of the lands, contact the nearest DNR Regional office. Contact information for DNR Regional Offices and Service Centers is provided on the following internet site:

http://www.dnr.state.wi.us/org/caer/ss/servicecenter/locations.htm

Updates to this data set are ongoing and will be incorporated into future versions when available.

STATE OF WISCONSIN
DEPT. OF NATURAL RESOURCES

Bureau of Facilities and Lands