



Board of County Commissioners Agenda Request

5A
Agenda Item #

Requested Meeting Date: March 12 2019

Title of Item: Timber permits, markets and extensions

<input checked="" type="checkbox"/> REGULAR AGENDA	Action Requested:	<input type="checkbox"/> Direction Requested
<input type="checkbox"/> CONSENT AGENDA	<input checked="" type="checkbox"/> Approve/Deny Motion	<input checked="" type="checkbox"/> Discussion Item
<input type="checkbox"/> INFORMATION ONLY	<input type="checkbox"/> Adopt Resolution (attach draft)	<input type="checkbox"/> Hold Public Hearing*

**provide copy of hearing notice that was published*

Submitted by: Rich Courtemanche	Department: Land
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Presenter (Name and Title): Rich Courtemanche - Land Commissioner	Estimated Time Needed: 20 minutes
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Summary of Issue:

The Aitkin County Land Commissioner will report the status of timber sales to the County Board. The discussion will center around the effects of weather and market forces and what the ramifications are to County revenues and apportionment to schools, townships and to the general fund.

A discussion around Land Department policies and how to lessen the impact to the logging community. Policy recommendations include:

- 1) Allow free extensions for permits for good winters, allowing cutting and harvesting past the March 15th deadlines on permits
- 2) Allow free extensions for 6 months for wood that is cut and harvested but not delivered to mills (summer yarding)

Futurewood Corporation would like to request a second extension on five (5) sales (attached letter). The timber sale contract requires that second extensions be approved by the County Board.

Alternatives, Options, Effects on Others/Comments:

The State DNR and other County Land Departments have requested a halt to repetitive extensions. The size and magnitude of the prospect of five sales turned back is noteworthy. Futurewood is agreeing to pay a second penalty fee of \$4,435.

Recommended Action/Motion:

Approve the extension request from Futurewood with either the 10% penalty fee of \$4,435 or requiring paying for the wood in full (no penalty) as per 2012 ACLD policy.

Financial Impact:

Is there a cost associated with this request? Yes No

What is the total cost, with tax and shipping? \$

Is this budgeted? Yes No

Please Explain:

Futurewood Corp Extension Request

Futurewood Corp. is requesting an additional extension for the following sales that expire with Aitkin County:

13450

13512

13539

13549

13668

Reasons for wood being unharvested:

- The warm winters of 2016 & 2017 began a back log of winter wood across all agencies.
- The first week of February 2018, the markets weren't accepting any hardwood, which these sales consist mostly of.
- Ash markets, in particular, became very weak since the purchase date of these sales.
- These are hard freeze sales which have been problematic getting the weather and markets to cooperate in recent years.

Reasons for an extension:

- The county will be getting back the exact types of sales that have not been selling over the last few auction cycles.
- The stumpage prices on these permits are currently much higher than any similar sales on recent auctions.
- As of March 1, Futurewood has cut over 5,000 cords of Aitkin counties wood on 3 sales, delivered it to market, and are currently still cutting and hauling on 2 more county sales.

- We've had over runs on the sales cut this winter which resulted in lost time and opportunity to cut some of the sales listed above.
- To my knowledge, Futurewood has never defaulted or turned back any Aitkin County timber sales.

Futurewood Corp would like to fulfill and complete all timber sale management obligations held with Aitkin County.

Futurewood proposes an additional 10% of the uncut balance (non-refundable) for the permits listed above for an additional 1 year extension.

Thank you,

Quinton Finley

Futurewood Corp.

Timber Permit Policies per Counties

County	Down Payment	Permit Terms	Payment Requirements Prior to Cutting	Extension Terms	Extension Payment	Any Extension Exceptions	Disposition After Extension
Aitkin	15% of appraised value and then addl. 15% of the bid up price within 30 days	3 years	Full balance by cash or letter of credit plus 10 % of the sale	1 year	Sale must be paid in full plus an extension fee of 10% of uncut balance, non-refundable	County Board approved waiving the payment in full requirement for permits eligible for extension in 2009	If sale is un-cut it can be reoffered and monies are forfeited
Becker	25% of entire sale	2 years	Balance of the sale value must be paid before timber is cut	1 year	10% of uncut balance	No	If sale is un-cut it can be reoffered and monies are forfeited
Beltrami	15% of appraised value and then addl. 15% due on the bid up value within 14 days	2 years	Full balance by cash or letter of credit, no performance guarantee collected	1 year	10% of total sale value	No	If sale is un-cut it can be reoffered and monies are forfeited
Carlton	15% of Appraised Value	2 years	Full balance by cash or letter of credit, no performance guarantee collected	1 year	5% of uncut balance or \$100 whichever is more, non-refundable and non-applicable	Eliminated the "Payment in full of uncut timber" provision	If sale is un-cut it can be reoffered and monies are forfeited
Cass	25% of bid price if you forfeited a sale in past two years/20% if you did not	2 years	Full balance by cash or letter of credit	1 year	Sale must be paid in full plus an extension fee of 10 % of the appraised value, non-refundable	No	If sale is un-cut it can be reoffered and monies are forfeited
Clearwater	15% of appraised value	2 years	Full balance is due at the time the sale is cut by cash or letter of credit	1 year	10% of the uncut balance, non-refundable and non-applicable	No	If sale is un-cut it can be reoffered and monies are forfeited
Cook	No Timber Sales						
Crow Wing	15% of appraised value, non-refundable	2 years	Full balance, plus performance guarantee which is 10% of appraised value	1 year	10% of uncut balance, non-refundable and non-applicable	No	If sale is un-cut it can be reoffered and monies are forfeited
Hubbard	15% of appraised value	6 months to 2 years	Full balance is due at the time the sale is cut by cash or letter of credit	1 year	10% of uncut balance	Hubbard County Board approved granting one year free extensions for permits expiring in 2009	If sale is un-cut it can be reoffered and monies are forfeited
Itasca	15% of Appraised Value (10% is Perf. Guar. & 5% is applied to the balance)	3 years	Balance is paid in full, no performance guarantee.	1 year	10% of uncut balance	No	If un-cut sale, 15% down payment is forfeited
Koochiching	15% of the appraised value	1, 2 & 3 years	Full balance, no performance guarantee	1 year	20% of the total sale value, non-refundable, but applies towards the remaining balance	County Board approved to grant 1 free year extension for timber contracts expiring in 2009	If sale is uncut, all payments are forfeited and sale is reoffered. County forfeiture policy states an additional penalty of 10% of the total sale value is due and purchaser is ineligible to bid at next two quarterly auctions.
Lake	15% of the appraised value	1 or 3 years	Balance is paid in full, no performance guarantee.	1 year	25%, non-refundable and non-applicable	At the direction of the County Board, due to economic conditions, free extensions with no percentage increase in stumpage, as is policy, have been given.	If sale is uncut, 15% down payment and any extension fee are forfeited, and sale is re-auctioned
Pine	15% of appraised value, non-refundable	2 years	Full balance, no performance guarantee	2 year	Sale must be paid in full plus an extension fee of 5 % of the uncut timber value, non-refundable	No	If sale is uncut, all payments forfeit and sale is re-auctioned
St. Louis	15% of appraised value, non-refundable	1, 2 & 3 years	Full balance must be paid prior to harvest	1 year	Total bid value of sale x Factor Formula, non-refundable, but applicable	This past year (2009) the county revised its timber contract, including its extension policy. Also the Land Commissioner can make an exception to an extension policy due to market or other conditions	If sale is not out the extension payment and down payment are non-refundable