

LEASING OF LAKESHORE LOTS IN MINNESOTA

by W. Dustin Mirick

In the early 1910's the State of Minnesota was looking for ways of generating revenue from its vast lakeshore property in the northern part of the state. The state wanted to create a program that met the public interest and would establish a tax base for counties. Many of the lots were on school trust lands and income would be used to fund schools.

The first lakeshore lots to be leased were in 1917, on Lake Vermilion. More lots soon followed on Vermilion and other lakes in the area. Lease rates were \$10 per year except for "especially desirable" lots where it was \$15 per year. In 1923, the lease term was standardized at 10 years and income from all leased lots, on school trust lands or not was credited to school trusts or universities. The State Auditor was in charge of the leasing program prior to the creation of the Department of Conservation in 1931. The Department of Conservation became the Department of Natural Resources.

This program continued to grow with the publication of pamphlets in 1927 – 1928, 1935, and 1940. Each of these was titled "MINNESOTA STATE OWNED LAKESHORE HOMESITES" Each contained details on the lease program, an application, pictures, and details of the lakes. State or Civilian Conservation Corps personnel were used to build roads and survey lots for the program. In 1957, the lease cost was raised to \$25 per year at the

next renewal period of the lease. In 1964, the platting of new lots was stopped.

The 1970's saw considerable problems with the program. The Department of Natural Resources was given the right to retain from the lease revenue the amount that reflected the cost of administration of the program. The school trust was very upset to see their income was reduced. Further, the counties were enacting county-wide lakeshore regulations only to find out they had no authority over state lands where the leases were located. In 1973, the legislature finally required the lessee to meet applicable local shoreline management ordinances. The DNR would be able to cancel the lease of anyone not meeting the new regulations.

In 1975, a plan was approved that would base the lakeshore lease annual payment at 5% of the unimproved appraised value of the lot. As you might expect this action was not popular with the lease holders. There was considerable disagreement from the two sides exactly what was the "unimproved value" of the lots. By 1980, all the lots had been appraised and on January 1, 1981, new ten year leases were issued providing for a lease payment of 5% of the appraised value. The appraisal value would be recalculated every five years.

In June of 1981, the Legislative Auditor produced a report entitled "A Review of the Department School Fund". The report was critical of the DNR saying that the appraisals were low and the school fund was losing about \$240,000 per year. By 1986, the legislature ordered the DNR to sell the lakeshore lots if requested by the lessee and recommended by the legislative report. By

this time the lakeshore leased lot program had grown to 1,934 leases on 92 lakes in 11 counties.

In Cass County the lakes were as follows:

Lake	Lots	Original Plat Date
Ada	8	1961
Child	10	1958
Hand	18	1963
Hay	41	1961
Leech	48	1940
Little Thunder	19	1956
Long	12	1961
Pike Bay	5	1953
Stevens	8	1957
Thunder	1	1956
Washburn	10	1951
Woman	6	1961

On Hand Lake the 18 leased lots were located in the far north end of the lake that we refer to today as North Bay. On Hay Lake the 41 leased lots were located on the west shore. Hand Lake had other private property owners while the Anglers Isle

resort was the only private owner of property on Hay Lake.

While leased lakeshore lots in northern Minnesota in 1917, were not in great demand by 1957, interest had peaked and would continue into the 1960's. Today the cabin (home) owners are a vital economic force providing funding for the county, schools, and to the local economy.

I have many of the documents pertaining to the lakeshore lease program and would be happy to loan them electronically or in hard copy to anyone interested. In my case I purchased the lease from the original lessee in July of 1972. My lease rate was \$25 per year for many years and then jumped to \$85 per year and finally up to just over \$100 per year. Personal property and school taxes were paid by the lease holder over the term of the leases.

In the 1990's most of the leased lots were put up for auction. State land could not be sold except at an auction. This was not a smooth process and required armed State Patrol officers to maintain order at the auction sites. Some lease holders found their lots were auctioned off to bidders that were willing to pay more than they were for the property. Many of the leases had been in a family for a long time and the loss of them was a significant issue.

The lot I leased and later purchased was transferred to me by the use of a land patent. If you remember your American history, land patents were used to transfer land from the government to the first private owner.

Other forms of land transfer are used after the patent.

In the end leases that were not sold at auction through the state process were transferred to the various counties who managed them. It is my understanding that after several years these lots were also sold.