

Purchase Option FAQ

Island, Fish, and Whiteface Reservoirs



ShoreLand

Leaseholders on Island, Fish, and Whiteface reservoirs may have the opportunity to purchase their lease lots from Minnesota Power.

What is the purchase option?

Pending required regulatory approvals from local, state, and federal regulators, Minnesota Power will offer existing leaseholders the exclusive opportunity to purchase their lease lot. For the relatively few vacant lots that Minnesota Power owns, options to purchase those lots will be made available to the general public.

Who would be eligible for the purchase option?

The purchase option would be available to current leaseholders on Island, Fish, and Whiteface reservoirs in St. Louis County, Minnesota. Current leaseholders on Rice and Boulder Lake reservoirs are not included in the regulatory approval process at this time and would not be eligible for the purchase option.

Why is Minnesota Power making this opportunity available to leaseholders?

There are three main reasons. Minnesota Power has determined that lease properties on these reservoirs are not needed for hydropower operations. Second, proceeds from any lease sales will help mitigate rates for Minnesota Power's electric utility customers. Finally, in Minnesota Power's experience, most leaseholders would prefer to own, rather than lease, the lot on which their home or cabin is located.

Why are the other reservoirs not included?

Most active hydropower reservoirs contain regulated lands that must be retained for the company's Federal Energy Regulatory Commission (FERC) license for generation of renewable hydropower energy. Rice and Boulder Lake reservoirs contain relatively few lease lots, and the reservoirs have certain characteristics that warrant additional study. Rice Lake Reservoir requires additional review of the existing project boundary for operational uses, while Boulder Lake Reservoir is largely reserved for environmental and recreational uses.

What is the "interim phase"?

This is the phase we are in now, where we intend to offer the lots for purchase but have not yet secured regulatory approvals. If regulatory approvals are secured, Minnesota Power will move into the "purchase phase." If regulatory approvals are not secured, Minnesota Power will likely resume "business as usual," which may resemble our historical leasing program.

What if I choose not to purchase my lease lot?

Leaseholders can continue to lease their lot under current lease terms until the lease expiration date. After the lease expiration date, leaseholders who do not purchase the land would be able to sell their buildings and other personal property to the new buyer. The new buyer would purchase the land directly from Minnesota Power.

What is the timeline for purchasing?

The earliest any lots might be available for purchase would be 2022 for those lots along the southern shore of Island Lake Reservoir. The remaining lots on Island, as well as on Fish and Whiteface reservoirs, would be available in the 2023-2024 timeframe. Please note this timeline is subject to regulatory approvals and to other actions which may be outside of Minnesota Power's control.

Why are lots available for purchase at an earlier date on some reservoirs?

In order to responsibly sell the lots, Minnesota Power must first survey and plat the lots to make sure they meet county standards and have marketable title. It also ensures that lot boundaries do not infringe on adjacent buildings not owned by the current leaseholder, and whenever possible contains appropriate acreage for primary and secondary septic systems. The high number of lots means that some reservoirs will be platted sooner than others. However, Minnesota Power is working with the Minnesota Public Utilities Commission (MPUC) to ensure leaseholders have a consistent purchase price, regardless of where their lots are at in the platting process (see below).

What is the price of the lease lot?

During a May 2021 hearing, the MPUC offered an alternative approach to determining the purchase price. In a petition filed with the MPUC on August 31, 2020, Minnesota Power proposed setting the base price of the land at the current county estimated market value (EMV) at the time when the lot is available for purchase. Under this approach, the EMV-based purchase price would be adjusted annually when the new EMV values were finalized.

In a hearing with MPUC in May 2021, an alternative approach for purchase price was offered by the MPUC. This alternative approach uses the 2020 EMV (payable in 2021) plus a 4% additional charge to account for the county assessment lag (the "2020+4" approach). This would apply to all leaseholders, regardless of when their lot is available for purchase, as long as they enter into a purchase agreement within six months of the lot being available for sale. Minnesota Power subsequently sent out a leaseholder survey inquiring about leaseholders' preference for a purchase price. In the survey results, most of the responding leaseholders preferred using the "2020+4" approach. Minnesota Power has filed a letter with the MPUC agreeing with "2020+4" approach for valuation.

Are the wells and septic systems paid for by leaseholders included in the purchase price?

Not under Minnesota Power's current proposal, which uses EMV to set the base value of the land. EMVs are calculated by comparing sales data from raw land; septic systems, wells, power supply, and other improvements are not included in EMVs.

Will money paid to secure leased lots be deducted from the sale price?

As detailed in our petition to the MPUC, leaseholders who paid Minnesota Power directly (sometimes referred to as a "right-to-lease" payment) will receive a pro-rated benefit based on the amount of time remaining on their original lease term. However, any right-to-lease payments made from one private party to another private party will not be refunded, since we did not participate in, and cannot control, buyer/seller decisions that did not involve Minnesota Power.

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Will a history of longevity for a lease result in a credit for the leaseholder?

No. The rent Minnesota Power charges was not designed to be a “rent-to-own” or a contract for deed, which are fundamentally different contractual approaches. Had Minnesota Power designed the lease program in such a manner, it is likely the current rental charges and terms would be significantly different than the current rental charge of 2.5% of EMV per year.

My lease expires in 2023, and I might not know if a purchase option is available until shortly before that time. Can I have additional time to evaluate my options?

Minnesota Power will make special considerations for the approximately 40 leaseholders who have leases expiring in 2023. For those leaseholders, leases may be extended up to two additional years to allow leaseholders sufficient time to decide whether to buy their lot or sell their personal property.

Can I extend my lease out to 2046?

Discretionary lease extensions—extensions not related to a transfer or financing need—are not available during the interim phase. If a purchase option does not become available, discretionary lease extensions may become available.

What if I want to sell my lot between now and when a purchase option is available?

Minnesota Power will continue to allow you to transfer your personal property and your lease to a buyer, with the buyer receiving a lease matching bank terms but no later than February 1, 2046.

What if I want or need to transfer my lot to a close family member or in the interim period?

Partial transfers, where the existing leaseholder remains on the lease, may be transferred but will not be eligible for a lease extension. For full transfers to family members or close acquaintances sold at a reasonable value, Minnesota Power will match lease duration to bank terms but no later than February 1, 2046.

What is a “reasonable value”?

Minnesota Power will continue to rely on current county EMV values for both land and personal property to help determine fair valuation.

What if I want to sell to a family member or friend at a discounted price in the interim period?

This is allowed; however, the original lease terms will not be extended in this circumstance. Buyers purchasing a lease with a 2023 lease expiration date will continue to be eligible for a lease extension up to 2025.

What if I need a lease extension for financing reasons?

In the interim period, Minnesota Power will work with the leaseholder and the lending institution as needed to develop appropriate terms. Once a purchase option becomes available, leases will not be extended for financing reasons.

Will there be changes to the roads currently maintained by the lake/reservoir association?

A key aspect of the platting process that is currently underway is ensuring property owners have legal access to their property

once private ownership occurs. Minnesota Power is planning to develop Common Interest Communities (CICs) on behalf of our leaseholders, which will function largely the same as current road associations. However, the CICs will be legal entities and will help ensure marketable title now and in the future. No action is needed from leaseholders at this time, and no significant changes to the function of road association or fees is anticipated once the transition to CICs is complete.

There is vacant Minnesota Power-owned land next to my lot. What will happen to this land?

In some cases, additional land may be added to lots to allow conformance with county standards. In other cases, the land will remain vacant to meet Minnesota Power’s environmental, recreational, or other goals. In certain instances, the land may become available for sale to adjacent landowners. Minnesota Power has no plans to create additional lots at this time.

Will there be logging or mining on these vacant Minnesota Power lands?

We will continue to manage our lands with a balanced approach for Minnesota Power, our utility and leaseholder customers and neighbors, and adjacent landowners. We have no current plans for mining development. Active forest management, including harvest, is a critical tool for ecological benefit, local industry, and wildfire protection. Those practices will continue at Minnesota Power’s discretion in a thoughtful and deliberate manner.

Will there be any changes to dam maintenance or water levels as a result of the lot sales?

No. Minnesota Power’s operating and maintenance plans and obligations under our Federal Energy Regulatory Commission (FERC) license and St. Louis River Project (SLRP) operating plan remain unchanged.

What other regulatory or tribal entities has Minnesota Power engaged with as part of this process?

Please see the “Minnesota Power Engagement” PDF on the “Purchase Options for Lease Lots” page for a partial list of written, electronic and other engagements.

How has Minnesota Power considered the impacts of COVID-19 on the lease lot purchase option and its leaseholders?

To protect our employees and leaseholders during the pandemic, Minnesota Power followed state and company policy regarding social distancing, face masks and outdoor gatherings. Since March 2019 many of our engagements have taken place in virtual venues, through emails or letters, or outdoors as safe and effective avenues for ensuring engagement and education opportunities with our leaseholders and regulatory agencies.

Minnesota Power has adhered to the eviction moratorium from Gov. Tim Walz’s executive order, and has voluntarily waived late fees for leaseholders who were behind on their rent. Our efforts also included communicating with leaseholders about rental assistance and the ongoing payment plan services at Minnesota Power. As the lease lot purchase option begins, Minnesota Power will continue to work with leaseholders facing extenuating circumstances to develop reasonable outcomes whenever possible.

Who should I contact

if I have other questions about the purchase option of my leased lot?

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