

CHECKLIST ENVIRONMENTAL ASSESSMENT

Project Name:	Spring Prairie Mixed Residential Land Banking Tract, Sale # 372
Proposed Implementation Date:	Fall 2005
Proponent:	Montana Department of Natural Resources and Conservation
Location:	Within Kalispell City Limits in SW1/4 Section 36-T29N-R22W (see map Attachment A)
County:	Flathead

I. TYPE AND PURPOSE OF ACTION

Offer for Sale at Public Auction, approximately 85-100 acres of State Trust Land currently held in trust for the benefit of Common Schools. Revenue from the sale would be deposited in a special account used to purchase replacement lands meeting acquisition criteria related to legal access, productivity, potential income and proximity to existing state ownership, which would then be held in trust for the benefit of Public Schools. The proposed sale is part of a program called Land Banking authorized by the 2003 Legislature. The overall purpose of the program is for the Department of Natural Resources and Conservation to: diversify uses of land holdings of the various trusts; improve the sustained rate of return to the trusts; improve access to State Trust Land and; consolidate ownership.

Statement Regarding Scope of Review: The Final Environmental Impact Statement for the Section 36 Plan, Business and Technology Park dated July 2001 (FEIS) Recommended Plan Alternative (Modified D) evaluated the impacts of residential development in this area based on proposed future land uses. **This analysis is limited to the effects of the administrative action of selling the land.**

II. PROJECT DEVELOPMENT

1. PUBLIC INVOLVEMENT, AGENCIES, GROUPS OR INDIVIDUALS CONTACTED:

Provide a brief chronology of the scoping and ongoing involvement for this project.

Broader environmental issues related to the development of this section were scoped during the Environmental Impact Statement (EIS) review for the Section 36 Plan. In addition to the Final EIS, the primary documents pertinent to the area under consideration include the Spring Prairie Planned Unit Development (PUD), city construction standards for infrastructure extension, city building codes, applicable city and state sanitation regulations, and the city of Kalispell Growth Policy. All these rules and regulations are administered by agencies other than DNRC. The cumulative impacts of developing all of Spring Prairie (in accordance to the neighborhood plan) and its relationship to other nearby properties were adequately examined in the EIS for Section 36.

Specific to this proposal to sell a portion of the parcel, a legal notice was published in the Daily Interlake on May 15 and May 22, 2005 requesting comments be submitted on the proposal by June 10, 2005.

A letter, requesting comments be submitted by June 10 was sent to interested parties including adjacent landowners, the City of Kalispell, the Land Banking Negotiated Rulemaking Committee members, District State Legislators, and Montana Department of Fish Wildlife and Parks.

Four letters were received in response to the request for comments:

- A Kalispell resident who feels that the land should be left in open space in support of the development occurring in the area.
- One letter from a church interested in relocating it's facilities to the Trust Land parcel.
- A letter from the Kalispell Planning Director stating no objections to the sale or use of the parcel as per the Neighborhood Plan and PUD zoning, and noting that the City is interested in locating additional water wells and a storage facility in this area of the community.

- A letter from the former DNRC Kalispell Unit Manager stating that selling the land would be a mistake as it will be worth more in the future.

Responses to comments are addressed below as applicable.

A complete list of the individuals contacted is included in Attachment B of this EA.

2. OTHER GOVERNMENTAL AGENCIES WITH JURISDICTION, LIST OF PERMITS NEEDED:

All land use development within the area of the Spring Prairie PUD requires city of Kalispell approval. Land use must be consistent with city zoning, land divisions consistent with city subdivision regulations, and infrastructure (roads and utilities) consistent with city of Kalispell design and construction standards. The local land use regulatory processes will evaluate impacts to local services and require an appropriate level of mitigation for identified impacts.

3. ALTERNATIVES CONSIDERED:

Proposed Alternative: Offer approximately 85-100 acres of residentially zoned State Trust Land for sale at Public Auction and subject to Statutes addressing the Sale of State Trust Land found in Title 77, Chapter 2, Part 3 of the Montana Codes Annotated. Proceeds from the sale would be deposited in the Land Bank Fund to be used in conjunction with proceeds from other sales for the purchase of other State Trust Land, easements, or improvements for the beneficiaries of the respective trusts, in this case Common Schools. The option to purchase would be offered initially, and upon successful application for preliminary subdivision review by the optionee, the sale would be finalized. Conditions of sale would include compensation based on raw land value at the time of closing on the overall parcel and an additional share payment to the State upon sale of the individual lots.

No Action Alternative: Defer inclusion of this tract in the Land Banking Program, maintain state ownership of this tract at this time and continue to manage for agricultural values.

III. IMPACTS ON THE PHYSICAL ENVIRONMENT
<ul style="list-style-type: none"> • <i>RESOURCES potentially impacted are listed on the form, followed by common issues that would be considered.</i> • <i>Explain POTENTIAL IMPACTS AND MITIGATIONS following each resource heading.</i> • <i>Enter "NONE" If no impacts are identified or the resource is not present.</i>

4. GEOLOGY AND SOIL QUALITY, STABILITY AND MOISTURE:

Consider the presence of fragile, compactable or unstable soils. Identify unusual geologic features. Specify any special reclamation considerations. Identify any cumulative impacts to soils.

The parcel is a portion of what has been managed as classified agricultural land for many years. The soils of the property have been listed as being fair to poor as topsoil. No direct or cumulative impact to soils is anticipated as a result of the proposal. The State of Montana will retain the mineral rights.

5. WATER QUALITY, QUANTITY AND DISTRIBUTION:

Identify important surface or groundwater resources. Consider the potential for violation of ambient water quality standards, drinking water maximum contaminant levels, or degradation of water quality. Identify cumulative effects to water resources.

Flathead Valley has a well documented Deep Artesian Aquifer that supplies 95% of the valley's potable and more than half of it's irrigation water. At this location the aquifer is found between 150-200 feet below ground surface and well logs indicate that it is at least 200 feet thick. No direct or cumulative impact to water quality, quantity or distribution is anticipated as result of the proposal.

6. AIR QUALITY:

What pollutants or particulate would be produced? Identify air quality regulations or zones (e.g. Class I air shed) the project would influence. Identify cumulative effects to air quality.

Kalispell is designated as a "Moderate" PM-10 non-attainment area. This designation is primarily associated with suspended dust particles from Winter sanding of roads. Dust from farming activities is a noticeable problem on Section 36 in the Spring and Fall. No direct or cumulative effects are expected to air quality as a result of the proposal.

7. VEGETATION COVER, QUANTITY AND QUALITY:

What changes would the action cause to vegetative communities? Consider rare plants or cover types that would be affected. Identify cumulative effects to vegetation.

The parcel is classified agricultural land and has been leased as such historically. There are no known native plant communities or plant species on the parcel. No direct or cumulative effects to vegetation would be expected as a result of the proposal.

8. TERRESTRIAL, AVIAN AND AQUATIC LIFE AND HABITATS:

Consider substantial habitat values and use of the area by wildlife, birds or fish. Identify cumulative effects to fish and wildlife.

Due to the extensive history of farming on the parcel, there are no natural habitats for wildlife. The vegetative stand resulting from agricultural use provides habitat and food for some species including small rodents and birds. No direct or cumulative impact to wildlife is anticipated as a result of the proposal.

9. UNIQUE, ENDANGERED, FRAGILE OR LIMITED ENVIRONMENTAL RESOURCES:

Consider any federally listed threatened or endangered species or habitat identified in the project area. Determine effects to wetlands. Consider Sensitive Species or Species of special concern. Identify cumulative effects to these species and their habitat.

The parcel is an agricultural lease within the City Limits of Kalispell. No direct or cumulative impact to Threatened, Endangered or unique wildlife is anticipated as a result of the proposal.

10. HISTORICAL AND ARCHAEOLOGICAL SITES:

Identify and determine effects to historical, archaeological or paleontological resources.

The DEIS identified the Spring Prairie Tree as the only identified cultural resource within the section (approximately 1/8 mile east of the subject parcel). A class III level inventory and subsequent evaluation of cultural and paleontologic resources will be carried out if preliminary approval of the parcel nomination by the Board of Commissioners is received. Based on the results of the Class III inventory/evaluation the DNRC will, in consultation with the Montana State Historic Preservation Officer, assess direct and cumulative impacts.

11. AESTHETICS:

Determine if the project is located on a prominent topographic feature, or may be visible from populated or scenic areas. What level of noise, light or visual change would be produced? Identify cumulative effects to aesthetics.

There are no prominent topographic features on the State Trust Land. No direct or cumulative impact to aesthetics is anticipated as result of the proposal.

12. DEMANDS ON ENVIRONMENTAL RESOURCES OF LAND, WATER, AIR OR ENERGY:

Determine the amount of limited resources the project would require. Identify other activities nearby that the project would affect. Identify cumulative effects to environmental resources.

This 100-acre tract is part of the Common School Trust of which there are more than 4.6 million acres within the state. The potential sale of this tract would affect an extremely small percentage of the Common School Trust Land if replacement land was not purchased before the statute expires.

The proposed sale would not have any impact or demands on environmental resources of land water, air or energy.

13. OTHER ENVIRONMENTAL DOCUMENTS PERTINENT TO THE AREA:

List other studies, plans or projects on this tract. Determine cumulative impacts likely to occur as a result of current private, state or federal actions in the analysis area, and from future proposed state actions in the analysis area that are under MEPA review (scoped) or permitting review by any state agency.

Broader environmental issues related to the development of this section were scoped during the Environmental Impact Statement (EIS) review for the Section 36 Plan. The cumulative impacts of developing all of Spring Prairie (in accordance to the neighborhood plan) and its relationship to other nearby properties were adequately examined in the EIS for Section 36.

In addition to the Final EIS, the primary documents pertinent to the area under consideration include the Spring Prairie Planned Unit Development (PUD), city construction standards for infrastructure extension, city building codes, applicable city and state sanitation regulations, and the city of Kalispell Growth Policy. All these rules and regulations are administered by agencies other than DNRC. The local land use regulatory processes will evaluate impacts to local services and require an appropriate level of mitigation for identified impacts. No direct or cumulative impacts are anticipated as a result of the proposal.

IV. IMPACTS ON THE HUMAN POPULATION

- *RESOURCES potentially impacted are listed on the form, followed by common issues that would be considered.*
- *Explain POTENTIAL IMPACTS AND MITIGATIONS following each resource heading.*
- *Enter "NONE" if no impacts are identified or the resource is not present.*

14. HUMAN HEALTH AND SAFETY:

Identify any health and safety risks posed by the project.

No impacts to human health and safety would occur as a result of the proposal.

15. INDUSTRIAL, COMMERCIAL AND AGRICULTURE ACTIVITIES AND PRODUCTION:

Identify how the project would add to or alter these activities.

Any change in land use would be subject to review under state and local regulations intended to address impacts to local industrial, commercial and agricultural activities. No direct or cumulative impacts are anticipated as a result of the proposal.

16. QUANTITY AND DISTRIBUTION OF EMPLOYMENT:

Estimate the number of jobs the project would create, move or eliminate. Identify cumulative effects to the employment market.

The proposal would have no affect on quantity and distribution of employment.

17. LOCAL AND STATE TAX BASE AND TAX REVENUES:

Estimate tax revenue the project would create or eliminate. Identify cumulative effects to taxes and revenue.

Currently the tract is not assessed taxes. If the property were to be sold and purchased by a private landowner, Flathead County would receive the added assessments.

18. DEMAND FOR GOVERNMENT SERVICES:

Estimate increases in traffic and changes to traffic patterns. What changes would be needed to fire protection, police, schools, etc.? Identify cumulative effects of this and other projects on government services

Any-change in land use would be subject to review under state and local regulations. No direct or cumulative impacts to government services are anticipated as a result of the proposal.

19. LOCALLY ADOPTED ENVIRONMENTAL PLANS AND GOALS:

List State, County, City, USFS, BLM, Tribal, and other zoning or management plans, and identify how they would affect this project.

In addition to the Final EIS, the primary documents pertinent to the area under consideration include the Spring Prairie Planned Unit Development (PUD), city construction standards for infrastructure extension, city building codes, applicable city and state sanitation regulations, and the city of Kalispell Growth Policy. The “mixed residential” zone specific to the proposed sale area calls for urban residential uses and uses compatible with residential uses. All these rules and regulations are administered by agencies other than DNRC. The local land use regulatory processes will evaluate impacts to local services and require an appropriate level of mitigation for identified impacts. No direct or cumulative impacts are anticipated as a result of the proposal.

20. ACCESS TO AND QUALITY OF RECREATIONAL AND WILDERNESS ACTIVITIES:

Identify any wilderness or recreational areas nearby or access routes through this tract. Determine the effects of the project on recreational potential within the tract. Identify cumulative effects to recreational and wilderness activities.

When the parcel was annexed by the City of Kalispell, upland game bird and waterfowl hunting that historically occurred on the site became illegal due to municipal restrictions on the use of firearms within the city limits. There is no other known recreational use of the proposed sale area.

The proposed sale would not have any impact on access to and quality of recreational and wilderness activities.

21. DENSITY AND DISTRIBUTION OF POPULATION AND HOUSING:

Estimate population changes and additional housing the project would require. Identify cumulative effects to population and housing.

The sale of this tract would not require additional housing or impact population changes. Any future proposal to develop the property and increase housing would be subject to review under applicable state and local land use regulations.

22. SOCIAL STRUCTURES AND MORES:

Identify potential disruption of native or traditional lifestyles or communities.

There are no native, unique or traditional lifestyles or communities in the vicinity that would be impacted by the proposal.

23. CULTURAL UNIQUENESS AND DIVERSITY:

How would the action affect any unique quality of the area?

The sale of the State Trust Land would not directly or cumulatively impact cultural uniqueness or diversity.

24. OTHER APPROPRIATE SOCIAL AND ECONOMIC CIRCUMSTANCES:

Estimate the return to the trust. Include appropriate economic analysis. Identify potential future uses for the analysis area other than existing management. Identify cumulative economic and social effects likely to occur as a result of the proposed action.

The two comments opposing the sale were economic related:

- The first stated that the state should earn enough income from of the rest of the section and should leave the proposed sale area in open space.

This would not be consistent with the Department’s responsibilities to manage these Trust Lands in the best interest of the Beneficiary. Additionally, open space standards from the Kalispell Subdivision Regulations would be applicable to any subdivision of the land.

- The second letter opposing the sale of trust lands cited different economic reasons to retain ownership of the parcel.
 - The land is increasing in value and should be kept to generate more money in the future;
 - Low confidence in the ability of the State to purchase replacement lands that could produce equal or greater returns.

These lands are very high value, and that they are increasing in value. The use that drives the value is residential, and single-family residential is a very strong component of the overall residential value. The

Department has determined that now is a good time to further explore development of this parcel based on the following:

- Anticipated uses on the site based on the Neighborhood Plan, Planned Unit Development agreement and accompanying zoning;
- A widely held assumption that there is no market for urban residential lease lots, so the only way to convert the single-family residential value to income for the trust is to sell;
- The current real estate market in Kalispell;
- In terms of extension of services and orderly development this parcel is due-up to prevent additional development and city services leapfrogging past this parcel;
- The current land banking authorization provides the opportunity to re-invest the sale income to purchase additional land.

The proposed sale area within the SW ¼ was minimized to an area that would sensibly be the core residential neighborhood. The acreage on the west side of the proposed bypass has a higher likelihood of successfully marketing as lease property such as multi-family residential and/or residential neighborhood compatible office uses.

RATE OF RETURN ON ASSETS

The historic agricultural lease for this parcel was recently dropped and is inactive. The lease was a 37% crop share.

The average income from the 2003 and 2004 years:	\$5692.50 (391 acres).
Adjusted Income from 100 acres (proposed sale area):	\$1455.88.
Income per acre:	\$14.56

An appraisal of the property value has not been completed to date. Under DNRC rules, the appraisal would be conducted after preliminary approval to proceed is granted by the Board of Land Commissioners and the Department is conducting more detailed evaluations in order to make a final determination on whether to offer the tract for sale. Based on appraisal information for other land in the area and current market conditions, the Department estimates the current raw land value for the subject parcel between \$25,000 and \$40,000 per acre.

Based on the agricultural management income (approximately \$1455/year), and the estimated land value (\$25,000/acre conservatively), the Rate of Return for this parcel is 0.058%.

This tract is considered below average in productivity and producing below average revenue per acre for irrigated farmland. The Fiscal Year 2004 Report on Asset Value by Trust and Land Office for State Trust Lands reports that the **Agriculture and Grazing return on assets for the NWLO in Fiscal Year 2004 was 2.2%.**

Land Banking statute requires that land acquired as replacement property through Land Banking is "likely to produce more net revenue for the affected trust than the revenue that was produced from the land that was sold" (Section 77-2-364 MCA). Property considered for acquisition will include cropped or irrigated land, and/or land with recreational, timber, or development potential.

This would indicate a higher return on asset value could be expected under the Proposed Alternative (Sell).

EA Checklist Prepared By:	Name: Steve Lorch	Date: 6/13/2005
	Title: Land Use Planner, Kalispell Unit	

V. FINDING

25. ALTERNATIVE SELECTED:

I have selected the proposed alternative, recommend the tract receive preliminary approval for sale and continue with the Land Banking process.

26. SIGNIFICANCE OF POTENTIAL IMPACTS:

I have evaluated the comments received and potential environment affects and have determined significant environmental effects would not result from the proposed land sale. The tract does not have any unique characteristics, critical habitat or environmental conditions indicating the tract should necessarily remain under management by the Department of Natural Resources and Conservation.

It is important to note that impacts to the human population relative to proposed future land uses have been rigorously reviewed through the Section 36 FEIS as well as local planning and regulatory processes. Though the administrative act of selling the property is not directly related to the change in use, the proposal would likely include conditions to compensate the Trust for development entitlements secured prior to closing the sale of the property.

On the economic side the parcel is very high value and increasing in value. The proposed sale area has been minimized to allow for the use driving the value of the land to establish in the current market. Preliminary approval to proceed will allow for the gathering of appraisal and market information and testing of the market assumptions. Based on the new information, DNRC Staff will recommend to the Board of Land Commissioners whether and how to proceed with the transaction.

27. NEED FOR FURTHER ENVIRONMENTAL ANALYSIS:

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EIS

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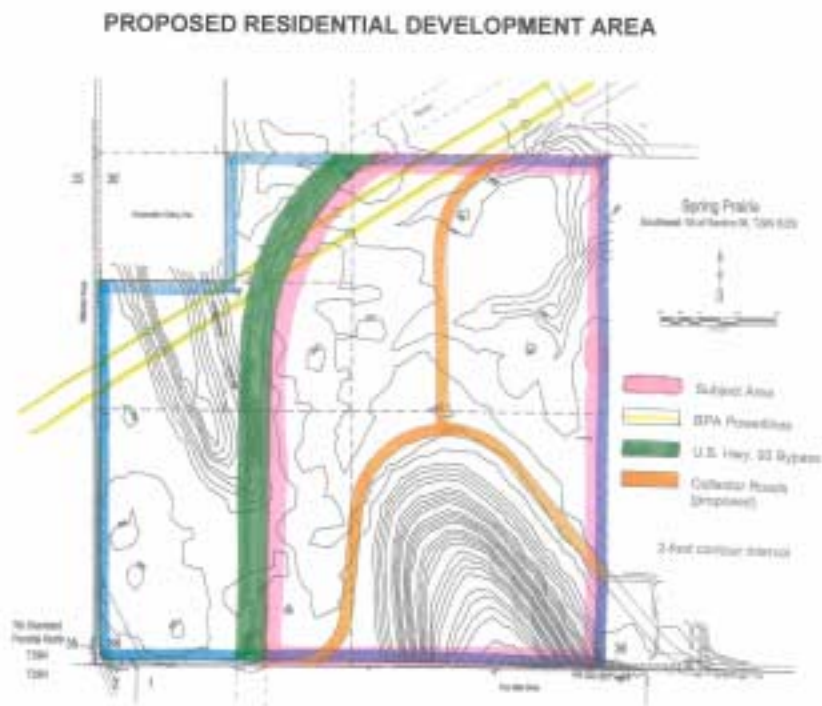
More Detailed EA

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No Further Analysis

EA Checklist Approved By:	Name:	Greg Poncin
	Title:	Kalispell Unit Manager
Signature:		Date: June 14, 2005

Attachment A Diagram of proposed residential development area in the SW1/4 Section 36-T29N-R22W, Kalispell, MT.



Attachment B—list of Contacts

SW4 Scoping List

Land Banking Negotiated Rulemaking Committee(13)

City of Kalispell, Attn: James Patrick
P.O. Box 1997
Kalispell, MT 59901

Crowley Law Firm, Attn: Dan Johns
P.O. Box 759
Kalispell, MT 59901-4835

Jerry O'Neil
Republican
985 Walsh Road
Columbia Falls, MT 59912

George Everett
Republican
1344 Helena Flats Road
Kalispell, MT 59901-6548

Citizens For A Better Flathead
PO Box 771
Kalispell MT 59903

Montanans for Multiple Use
Box 3050
Columbia Falls, MT 59912

Department of Fish, Wildlife, and Parks
490 North Meridian Road
Kalispell, MT. 59901

Jim Mann c/o
Daily Inter Lake
727 E Idaho
Kalispell, MT 59901

Kevin Chappell
Agriculture and Grazing Management Bureau
Trust Land Management Division
DNRC
P.O. Box 201601
Helena, MT 59620-1601

Mark Phares
DNRC, Forest Management Bureau
2705 Spurgin Road
Missoula, MT 59804

Dan Bushnell
DNRC, Information Technology Bureau
Centralized Services Division
P.O. Box 201601
Helena, MT 59620-1601

Adjacent landowners

Grosswiler Dairy Inc.
P.O. Box 952
Kalispell, MT 59903

Fraser, Strickland Family Trust, Symmes
690 North Meridian
Kalispell, MT 59901

Dwayne Druckenmiller
391 Stillwater Road
Kalispell, MT 59901

Helena Springs
5150 SW Griffith Drive
Beaverton, OR 97005

Waterford on Summit Ridge LLC
5150 SW Griffith Dr.
Beaverton, OR 97005

V. FINDING

25. ALTERNATIVE SELECTED:

I have selected the proposed alternative, recommend the tract receive preliminary approval for sale and continue with the Land Banking process.

26. SIGNIFICANCE OF POTENTIAL IMPACTS:

I have evaluated the comments received and potential environment affects and have determined significant environmental effects would not result from the proposed land sale. The tract does not have any unique characteristics, critical habitat or environmental conditions indicating the tract should necessarily remain under management by the Department of Natural Resources and Conservation.

It is important to note that impacts to the human population relative to proposed future land uses have been rigorously reviewed through the Section 36 FEIS as well as local planning and regulatory processes. Though the administrative act of selling the property is not directly related to the change in use, the proposal would likely include conditions to compensate the Trust for development entitlements secured prior to closing the sale of the property.

On the economic side the parcel is very high value and increasing in value. The proposed sale area has been minimized to allow for the use driving the value of the land to establish in the current market. Preliminary approval to proceed will allow for the gathering of appraisal and market information and testing of the market assumptions. Based on the new information, DNRC Staff will recommend to the Board of Land Commissioners whether and how to proceed with the transaction.

27. NEED FOR FURTHER ENVIRONMENTAL ANALYSIS:

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EIS

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More Detailed EA

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No Further Analysis

EA Checklist Approved By:	Name: Greg Poncin
	Title: Kalispell Unit Manager
Signature: 	Date: June 14, 2005