

CHECKLIST ENVIRONMENTAL ASSESSMENT

Project Name:	Rock Creek Cattle Company Land Banking Proposal
Proposed Implementation Date:	Summer 2007
Proponent:	Rock Creek Cattle Company and DNRC
Location:	Sale #376, ALL of Section 10, Township 8 North Range 10 West
County:	Powell County

I. TYPE AND PURPOSE OF ACTION

Offer for Sale at Public Auction, 640 acres of State Land (surface estate only) currently held in Trust for the benefit of Common Schools (see Attachment A – Map). Revenue generated from the sale of this parcel would be deposited into a special account to be used to purchase replacement lands meeting acquisition criteria related to legal access, productivity, potential income generation and potential for multiple use. Replacement lands would then be held in Trust for the benefit of Common Schools. This proposed sale is being initiated through the Land Banking program (Montana Code Annotated 77-2-361 through 77-2-367) that was approved by the Legislature in 2003. The purpose of this program is to allow the Department of Natural Resources and Conservation to dispose primarily of parcels that are isolated and produce low income relative to similarly classified tracts and to allow the Department to purchase land with legal public access that can support multiple uses and will provide a rate of return equal to or greater than the parcels that were sold. Additionally, this program allows for the Trust land portfolio to be diversified, by disposing of grazing parcels that make up a majority of the Trust land holdings and acquire other types of land, such as cropland.

Section 10, Township 8 North, Range 10 West, has been nominated under the State's Land Banking Program, for sale by the grazing lessee, Rock Creek Cattle Co. (RCCC). The proposal would sell all of the surface estate on Section 10.

Section 10 is presently zoned for one (1) dwelling unit per 40 acres. A Planned Unit Development (PUD) submitted by RCCC on their adjacent land has been approved for approximately 220 homes, an 18-hole golf course, a 14,000 square-foot fishing lodge and a large fitness center. RCCC is seeking this property to provide a buffer of deeded property around its proposed subdivision. Since the sale process is open to all bidders, it is possible that someone other than RCCC would purchase the parcel. However, given that the proponent has ownership of the surrounding land, it is very unlikely that this would happen. If RCCC is the successful bidder on the purchase of Section 10, then RCCC may relocate up to 25 lots of the 220 approved lots onto the northern portion of the section.

II. PROJECT DEVELOPMENT

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

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

DNRC prepared and distributed a letter dated September 14th, 2006, describing the proposal and requesting comments be submitted by October 27th, 2006. This letter was sent to interested parties including adjacent landowners, the Powell County Commissioners, State, Federal, and Tribal agencies, Special Interest Groups and the Negotiated Rulemaking Committee who participated in writing the Administrative Rules for the Land Banking Program. A complete list of the individuals contacted is included in Attachment B of this EA.

A legal notice was published in the Missoulian on September 24, 2006 requesting comments be submitted on the proposal by October 27th, 2006.

A legal notice was published in the Anaconda Leader on September 29, 2006 requesting comments be submitted on the proposal by October 27th, 2006.

A legal notice was published in the Montana Standard on September 24, 2006 requesting comments be submitted on the proposal by October 27th, 2006.

A legal notice was published in the Phillipsburg Mail on September 28, 2006 requesting comments be submitted on the proposal by October 27th, 2006.

A legal notice was published in the Silver State Post on September 27 & October 11, 2006 requesting comments be submitted on the proposal by October 27th, 2006.

A public meeting on the proposal was held at the Deerlodge Community Center on November 8, 2006. At this meeting the scoping deadline was verbally extended from October 27th to December 15th, 2006.

Numerous letters were received in response to this proposal. Many comments responded to a potential land exchange in the area (See EA, Section 13). Comments applicable to the Land Banking proposal were considered in developing issues that are analyzed in this EA.

OTHER GOVERNMENTAL AGENCIES WITH JURISDICTION, LIST OF PERMITS NEEDED:

None

3. ALTERNATIVES CONSIDERED:

Proposed Alternative: Offer approximately 640 acres of State Land for sale at Public Auction and subject to statutes addressing the Sale of State 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 land, easements, or improvements for the beneficiaries of the respective trusts, in this case Common Schools.

No Action Alternative: Defer inclusion of this parcel in the Land Banking Program. Maintain state ownership of this parcel and continue to manage the property for revenue to the Common School trust.

III. IMPACTS ON THE PHYSICAL ENVIRONMENT

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| <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> |
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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.

Proposed Alternative/No Action Alternative:

The geology is relatively stable bedrock overlain by gravelly glacial outwash and alluvial deposits. No especially unstable slopes or unique geology features are present. No abandoned mines, underground storage tanks or remediation response sites were identified from NRIS database search.

Primary soils are Shawmut and Roy very bouldery loams with lesser areas of Danvers Clay Loams. Erosion risk is moderate for most sites and increases with increasing slope. Slopes up to 25% have potential for development with site planning and mitigations to control erosion. Slopes over 25% would be severely limited for septic field development.

Historic use has been principally grazing and management effects are minimal.

No indirect, direct or cumulative impacts to soils are anticipated as a result of the sale proposal. Any future uses including development of the parcel would be subject to applicable local and state regulations.

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.

Proposed Alternative/No Action Alternative:

Section 10 is located within the Rock Creek watershed which is tributary to the upper Clark Fork River drainage. Two surface water resources flow through this section (Dry Gulch Creek and Rock Creek Ditch). No municipal water supply or domestic surface water diversions were found within 3 miles downstream of the project. Dry Gulch is diverted for irrigation use below Section 10. No degraded or impaired surface waters have been identified by DEQ (DEQ 2004).

There are ponds in the NW ¼ of Section 10 which are likely fed by the Rock Creek Ditch. The ponds would likely dry up if the ditch were turned off. The two forks of Dry Creek on the tract are probably ephemeral. The north fork is used as a natural carrier for irrigation water from the Rock Creek Ditch. This irrigation water is used to irrigate land in NWNW Section 11 and in the W2 of Section 2.

No direct or cumulative impacts to water quality are anticipated as a result of the proposal. Any future uses including development of the parcel would be subject to applicable local and state regulations.

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.

Proposed Alternative/No Action Alternative:

The parcel of land is located approximately five (5) miles northwest of Deer Lodge, MT in Powell County. Air quality is currently good. Impacts to air quality may result from a variety of activities including road use, agricultural burning, wildfires, industrial development, and vehicle emissions or heating system emissions among others.

The parcel is a very small percentage of the valley air shed and we do not expect direct or cumulative effects would occur to air quality as a result of the proposal. Any future uses including development of the parcel would be subject to applicable local and state regulations.

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.

Proposed Alternative/No Action Alternative:

The vegetation is a natural mosaic of coniferous forest and native grassland types, with the forest areas occurring on northerly aspects. The vegetation is typical of land throughout the vicinity and there are no known rare or unique cover types on the parcel (Natural Heritage Program 1/29/2007). Idaho Sedge was identified as a sensitive species on land adjacent to Section 10 (Natural Heritage Program 1/29/2007).

Grass land covers approximately 420 acres and is composed of native species dominated by rough fescue and bluebunch wheatgrass. Overall range condition is good to excellent with very few noxious weed species present.

Forested areas cover approximately 220 acres. The dominant tree species is Douglas-fir with minor amounts of ponderosa pine. Habitat types are Douglas-fir pinegrass and Douglas-fir Idaho fescue indicating a moderate to low forest productivity. Because of a lack of recent natural fires, trees are encroaching into grassland communities. Approximately 60 acres of the total forested area is encroachment made up of trees less than 30 years old. The oldest forest stands on the parcel are approximately 150 years old. There are no "Old Growth" forest stands in this section.

Vegetation may be affected by numerous land management activities including timber harvesting, livestock grazing, development, wildlife management or agricultural use.

DNRC has classified this land as primarily valuable for grazing use, and has historically leased the land for livestock grazing. There are no records of past timber harvest but forest inventory records show timber available in commercial quantities on 120 acres. It is reasonable to assume DNRC would harvest timber from this area at some future date.

If the property is sold there may be potential for the new owner to conduct development activities in addition to grazing and forest management. Disturbance associated with development could increase the potential for noxious weeds and non-native vegetation. No direct, indirect or cumulative effects are anticipated to occur to vegetation as a result of the proposed action. Any future uses including development of the parcel would be subject to applicable local and state regulations.

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.

Proposed Alternative/No Action Alternative for Aquatic Life/Fisheries: Surface waters in DNRC section 10 and Rock Creek have not been surveyed for fish species or habitat (MFISH 2006) and may support isolated populations of fish. Fish may inhabit the Rock Creek Ditch, which flows through the section. Future development near Dry Gulch Creek may have a low effect on sediment and nutrients downstream, but it is unlikely that sediment or nutrients would deliver to Rock Creek or influence fish habitat. Dry Gulch is diverted for irrigation use below the DNRC Section 10. There is low risk of direct, indirect or cumulative impacts to fisheries in Dry Gulch Creek for the following reasons: 1) segments of the stream are dewatered by water right diversions, 2) homesites, roads and developments would be planned and constructed according to subdivision regulations and laws and construction standards, and 3) recent road improvements have been made for all-season access and the future trend would be to improve roads and protect water resources and potential fish habitat as amenities to residential development.

For these reasons; no increase in the sediment delivery and no increase in water temperatures are expected to occur as a result of the proposed action alternative.

Any future uses including development of the parcel would be subject to applicable local and state regulations.

No Action Alternative for Loss of Big Game Habitat: Should the affected parcel not be sold, leased grazing would likely continue to occur. As a result, direct and indirect losses of big game habitat under the current grazing management plan would likely continue to be low.

However, development of approximately 220 homes and installation of an 18-hole golf course on adjacent private lands will continue. Residential and intensive recreational development would convert native grassland to non-native species (i.e., shrubs, ornamentals, non-native grasses, etc.), and serve as an attractant for big game. Should such conditions exist, it may be possible that degradation of the native range could occur. Thus, should residential and recreational development occur on adjacent lands, it may be possible for low to moderate cumulative effects to occur in concert with existing grazing management on the affected parcel. Should such development not occur on adjacent lands, or occur at lower levels, there may be no change from current conditions or there may be low risk of cumulative effects with the no action alternative.

No Action Alternative for Effects of Attractants on Wildlife: Similar to the issue of loss of big game habitat, should the parcel not be sold, wildlife attractants (e.g., ornamental shrubs, non-native grasses, pet food, bird feeders, refuse, etc.) would not be added to the parcel. As a result, there would likely be minimal to low risk of direct and indirect effects to wildlife as a result of the no action alternative.

However, should the no action alternative be selected, the proposed development of 220 homes and an 18-hole golf course on adjacent private lands will proceed. Such residential and recreational development will be accompanied by associated landscaping that will attract wildlife (e.g., ornamental shrubs, non-native grasses, pet food, bird feeders, refuse, etc.). As an attractant, wildlife, such as big game, will concentrate in higher densities and disperse for lesser densities, thereby increasing grazing pressure on the rangeland surrounding the development. This could result in degradation of the surrounding rangelands, including the affected parcel.

Thus, under the no action alternative, the risk of cumulative effects from wildlife attractants associated with residential and recreational development nearby may be the same as the action alternative.

Proposed Action Alternative for Loss of Big Game Habitat: Under the proposed action, the affected parcel would be sold to the highest bidder. Should the parcel be sold, and traditional uses (i.e., grazing, forestry) continue to occur, depending upon the intensities of the traditional uses, there would likely be minimal loss of big game habitat from current conditions.

However, the affected parcel was nominated for land banking by RCCC, which currently has a Planned Unit Development (PUD) that encompasses portions of their lands. The PUD has been approved for approximately 220 lots (up to 25 of the lots could occur on the affected parcel), an 18-hole golf course, a 14,000 square-foot fishing lodge, and a large fitness center. Thus, should RCCC be the successful purchaser, there would be the potential for loss of summer and winter habitat for white-tailed deer, mule deer, and elk associated with the development of up to 25 dwelling units on 640 acres that are adjacent to the RCCC golf course and development, portions of the golf course, and associated infrastructure. Additionally, human activity associated with such development could potentially displace these big game species. Therefore, human activity associated with the development of Section 10 would cause minimal displacement of wildlife. Thus, under the proposed action, there would be potential for moderate direct, indirect, and cumulative effects to big game through loss of habitat, depending on the identity of the successful purchaser and their plans for the parcel.

Any future uses including development of the parcel would be subject to applicable local and state regulations.

Proposed Action Alternative for Effects of Attractants on Wildlife: Under the proposed action, the affected parcel would be sold to the highest bidder. Should the parcel be sold, and traditional uses (i.e., grazing, forestry) continue to occur, depending upon the intensities of the traditional uses, there would likely be minimal risk of wildlife attractants being added to the parcel.

Should the affected parcel be sold to RCCC (as described under Loss of Big Game Habitat, Action Alternative), it is possible that up to 25 residences and associated infrastructure may be built on the 640 acres that are adjacent to the RCCC golf course and development. Residences and golf courses attract wildlife for a variety of reasons: availability of pet food, bird feeders, garbage, ornamental shrubs, non-native plants, watering systems that delay senescence of affected vegetation, etc. Wildlife attractants tend to increase the frequency of use, behavior, and density of wildlife populations. Such effects can lead to disease transmission, negative wildlife-human interactions, attract predators, etc.

There would likely be minimal to moderate risk of direct and indirect effects to wildlife from attractants as a result of the proposed action. Any future uses including development of the parcel would be subject to applicable local and state regulations.

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.

Proposed Alternative/No Action Alternative:

The closest active bald eagle nests are located approximately 9 miles north of the project area, near Gold Creek, MT.

Grizzly bears are not currently known to utilize this area of the Deer Lodge valley.

There have been two known wolf packs within a 20-mile radius of the project area (U.S. Fish and Wildlife Service 2006 Interagency Wolf Report; Weekly wolf reports <http://westerngraywolf.fws.gov/>). However, no known wolf pack's home range overlaps the project area and there currently are no known den or rendezvous sites within 1 mile of the project area.

The Natural Heritage Program lists the federally Threatened Canada Lynx as occurring near the project area (Natural Heritage Program 1/29/2007). However, because the project area is predominately grassland and is

winter range for mule deer and elk (i.e., there would likely be competition from other predators), there is a low likelihood that the project area would be suitable lynx habitat.

There is low risk of direct, indirect, or cumulative effects to lynx, bald eagles, grizzly bears, and gray wolves as a result of the proposed action. Any future uses including development of the parcel would be subject to applicable local and state regulations.

10. HISTORICAL AND ARCHAEOLOGICAL SITES:

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

Proposed Alternative/No Action Alternative:

A Class III intensity level inventory of cultural resources of Section 10, T8N R10W was conducted in November of 2006. No Heritage Properties as defined at the Montana State Antiquities Act were identified during the course of inspection. As such, no additional archaeological investigative work is recommended for this property.

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.

Proposed Alternative/No Action Alternative:

There are no prominent topographic features on the state land. The parcel is located within a valley and is not visible to the public. The state land does not provide any unique scenic quality that is not also provided by adjacent lands. No direct or cumulative impact to aesthetics is anticipated as result of the proposal.

Any future uses including development of the parcel would be subject to applicable local and state regulations.

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.

Proposed Alternative/No Action Alternative:

This 640 acre parcel is part of the Common School Trust of which there are more than 4.6 million acres within the state. The statutes limit the sale of trust land to a maximum of 20,000 acres prior to purchasing replacement lands. The potential sale of this parcel would affect an extremely small percentage of the Common School Trust land if replacement land was not purchased before the statute expires and even less impact if replacement land is purchased as anticipated.

The potential transfer of ownership would not have any impact or demands on environmental resources of land, water, air or energy. Any future uses including development of the parcel would be subject to applicable local and state regulations.

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.

Proposed Alternative/No Action Alternative:

Grazing Lease Range evaluations have been conducted on this parcel and are in the Department files.

There is an easement exchange being discussed between RCCC (Sections 23, T9N-R9W and Sections 19 and 21, T9N-R8W) and DNRC (Sections 12 and 22, T8N-R10W). Additionally, very preliminary discussions for a potential land exchange with RCCC have been conducted, but no application has been received by DNRC.

Other than this, there are no known pertinent state or federal actions in the vicinity, or known future actions proposed by the state, which would have cumulative impacts with this 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.

Proposed Alternative/No Action Alternative:

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

Any future uses including development of the parcel would be subject to applicable local and state regulations.

15. INDUSTRIAL, COMMERCIAL AND AGRICULTURE ACTIVITIES AND PRODUCTION:

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

Proposed Alternative/No Action Alternative:

The parcel of land is currently licensed for grazing purposes (175 Animal Unit Months-AUM's). The current licensee, Rock Creek Cattle Co. owns acreage surrounding the parcel. The location of the property is not conducive to industrial or commercial development.

Any future 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.

Proposed Alternative/No Action Alternative:

The proposed sale would have no effect on quantity and distribution of employment.

Any future uses including development of the parcel would be subject to applicable local and state regulations.

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.

Proposed Alternative/No Action Alternative:

Currently the parcel is not assessed taxes. The sale would put new land on the county tax base, thus increasing revenue to Powell County.

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

Proposed Alternative/No Action Alternative:

The proposed sale would not have an impact on government services.

Any future uses including development of the parcel would be subject to applicable local and state regulations.

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.

Proposed Alternative/No Action Alternative:

The Powell County Comprehensive Plan and Growth Policy designated this section as Planning District No. 4 which has a minimum lot size of 40 acres. According to the zoning, the maximum density on Section 10 is 16 lots/dwelling units. A Planned Unit Development (PUD) adjacent to Section 10 has been approved by Powell

County. The PUD has been approved for approximately 220 homes, an 18-hole golf course, a 14,000 square-foot fishing lodge and a large fitness center. The PUD allows for clustering of lots (allowing them to be smaller than the 40 acre minimum) but still requires a 1 dwelling unit per 40 acre gross density.

The DNRC manages state trust lands for residential development under the Real Estate Management Plan. The Plan defines residential development as one residential unit per 25 acres or less. DNRC will restrict the development of the state trust lands to a maximum of 25 lots on the 640 acres encompassed by Section 10. This restriction will be written into the Deed Agreement, on the face of the plat and filed as a Development Agreement with the Powell County Clerk and Recorder.

Any future uses including development of the parcel would be subject to applicable local and state regulations.

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.

Proposed Alternative/No Action Alternative:

This tract of State land does not provide access to any recreational or wilderness areas in the vicinity. Additionally, the State land is not legally accessible, so recreational opportunities are very limited for the general public. The primary access road to Section 10 crosses state Section 12; however, this road is controlled by RCCC and does not allow public access. DNRC utilizes this road for limited resource management activities. RCCC, the grazing lessee on Section 10 has a temporary road permit on Section 12 until March 2009 for access to the approved PUD and subdivisions. An easement exchange is currently being negotiated (See EA, Section 13).

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.

Proposed Alternative/No Action Alternative:

The potential ownership transfer of this parcel could result in additional housing or impact population changes. However, development on Section 10 would be limited to a 25 lot maximum development restriction in the Conveyance Deed. Any future uses including development of the parcel would be subject to applicable local and state regulations.

22. SOCIAL STRUCTURES AND MORES:

Identify potential disruption of native or traditional lifestyles or communities.

Proposed Alternative/No Action Alternative:

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

23. CULTURAL UNIQUENESS AND DIVERSITY:

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

Proposed Alternative/No Action Alternative:

The potential sale of the state land will not directly or cumulatively impact cultural uniqueness or diversity. Any future uses including development of the parcel would be subject to applicable local and state regulations.

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.

No Action Alternative:

The parcel currently has a Grazing Lease authorizing use of up to 175 Animal Unit Months of forage per year (.27 AUM/acre). The current annual rental is \$7.87/AUM thereby generating an income of \$1,377.25 annually or approximately \$2.15/acre. Based on the DNRC Annual Report for Fiscal Year 2005, the average income for the

4.3 million total acres of state grazing land was \$1.53/acre with an average productivity of .27 AUM/acre. Therefore this parcel is considered average in productivity and producing slightly above average revenue per acre. The parcel is surrounded by RCCC lands and does not have legal access. There is no indication that this inaccessible parcel, if remaining in state ownership, would be used for purposes other than forestry and grazing and it is likely the future income would remain relatively stable. An appraisal of the property value has not been completed. Assuming an appraised value of \$1500/acre, grazing income of \$1,377.25 and timber income of \$40,000 over a 20 year period, the current annual return for this parcel is 0.352%.

Proposed Action Alternative:

It appears this parcel of state land is in the path of potential real estate development. The Department feels that it would be inappropriate to ignore the potential for future appreciation in revenue generation capability of the property and merely sell the land at the current appraised value. In order to offset the loss of revenue associated with future development potential, a conveyance fee as a percent per lot will be added as a condition of the sale. For example, if 25 lots are developed on Section 10 and the average lot cost is \$500,000 per lot, (\$12,500,000) then a ½ percent of 25 lots sold for initial sales would produce \$62,500 in revenue to the Common School Trust Beneficiary. The ½ percent is a perpetual conveyance fee applying to every transfer of the property and improvements over time. The conveyance fee will be written into the Deed, as a statement on the face of the plat and as a Development Covenant filed with the Clerk and Recorder prior to closing.

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 targeted for acquisition could include agricultural or timber lands, with recreational opportunities or commercial potential. All these land classifications or uses presently produce a higher rate of return on State Trust land than Section 10.

EA Checklist Prepared By:	Name: Elizabeth Mullins Title: Land Use Planner	Date: 1/31/07
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V. FINDING

25. ALTERNATIVE SELECTED:

I have selected the proposed alternative with the lot restriction and conveyance fee mitigations noted in items #19 and 24. I recommend the parcel 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 effects and have determined significant environmental impacts would not result from the proposed land sale. The parcel does not have any unique characteristics; critical habitat or environmental conditions indicating the parcel should necessarily remain under management by the Department of Natural Resources and Conservation. There is a provision incorporated into the sale agreement that would compensate the school trust for future development potential.

I believe the mitigation found under #19, **LOCALLY ADOPTED ENVIRONMENTAL PLANS AND GOALS**, for a restriction in the number of lots developed on Section 10 to not exceed 25 lots, addresses concerns related to potential adverse impacts to development caps contained within the DNRC Real Estate Management Plan. The mitigation under #24, **OTHER APPROPRIATE SOCIAL AND ECONOMIC CIRCUMSTANCES**, for a conveyance fee on the lots developed on Section 10, is satisfactory to address concerns about capturing potential land value appreciation associated with future development of the property, providing additional revenue to the Common School Trust Beneficiary in perpetuity.

I have reviewed the comments and believe that all concerns have been adequately addressed under the appropriate headings.

27. NEED FOR FURTHER ENVIRONMENTAL ANALYSIS:☐

EIS

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More Detailed EA

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No Further Analysis

EA Checklist Approved By:	Name: Anthony L. Liane Title: Southwestern Land Office Area Manager
Signature: Anthony L. Liane Date: 2/6/07	