

BOARD OF LAND COMMISSIONERS MEETING: AGENDA
December 18, 2023, 9:00 a.m.
Supreme Court Chambers, Mazurek Justice Building
Helena, MT

ACTION ITEMS

- 1223-1 Department of Labor and Industry: Preliminary Approval for Building Sale Approved 5-0**
Benefits: N/A (non-trust land)
Location: Yellowstone County
- 1223-2 Oil and Gas Lease Sale: December 5, 2023 Approved 5-0**
Benefits: Common Schools
Location: Garfield, Pondera, Richland, and Rosebud Counties
- 1223-3 Cabin and Home Sites: Set Minimum Bid for Sale Approved 4-1**
A. Flathead County Commissioner Downing Opposed
Benefits: Montana Tech
Location: Flathead County
B. Lewis and Clark County
Benefits: Common Schools
Location: Lewis and Clark County
- 1223-4 Easements: Standard Grant Approved 5-0**
Benefits: Common Schools, Public Buildings, Public Land Trust- Navigable Rivers
Location: Fergus, Lewis and Clark, Mineral, Powder River, Sweet Grass, and Teton Counties
- 1223-5 Conservation Easement: Owen Sowerwine Approved 5-0**
Benefits: Common Schools
Location: Flathead County
- 1223-6 Biennial Cabin Site Lease Rate Review October 2021- October 2023 Approved 5-0**
Benefits: Common Schools, School for Deaf & Blind, Montana State University, Montana Tech, Pine Hills School, Public Buildings, Veterans Home, and Eastern College–MSU/Western College–UM
Location: Beaverhead, Blaine, Broadwater, Cascade, Chouteau, Custer, Daniels, Fallon, Fergus, Flathead, Gallatin, Golden Valley, Hill, Judith Basin, Lake, Lewis & Clark, Lincoln, Madison, Mineral, Missoula, Musselshell, Phillips, Pondera, Powder River, Powell, Prairie, Richland, Rosebud, Sanders, Sheridan, Stillwater, Toole, Valley, Wheatland, Wibaux, and Yellowstone Counties
- 1223-7 Informational Item: FY24 Real Estate Project List**
Benefits: Common Schools, University of Montana, Pine Hills School, Public Buildings
Location: Butte-Silver Bow, Cascade, Custer, Flathead, Gallatin, Granite, Lake, Lincoln, Missoula, and Yellowstone Counties

PUBLIC COMMENT

1223-1

DEPARTMENT OF LABOR AND INDUSTRY:

Preliminary Approval for Building Sale

**Land Board Agenda Item
December 18, 2023**

1223-1 Department of Labor and Industry: Preliminary Approval for Building Sale

Location: Yellowstone County

Trust Benefits: N/A

Trust Revenue: N/A

Item Summary

The Department of Labor & Industry (DLI) is requesting preliminary approval to sell one building in Billings. The building has been used for the Unemployment Insurance call center in Billings but is no longer suitable for that purpose.

The legal description of the property is Lots 9-14, Block 270, Billings, First Addition, City of Billings, Yellowstone County, State of Montana.

The building is subject to state and federal equity as follows:

UI State Funds:	31.2%
Reed Act:	36.2%
UI/ES Federal Equity:	32.6%

Based on requirements for disposing of buildings with federal equity, DLI has obtained two appraisals. In addition, DLI has requested disposition instructions from the U.S. Department of Labor. These instructions are attached. The accepted fair market value from the U.S. Department of Labor is \$865,000., based on the average of the two appraisals.

If approved, DLI intends to sell the building at auction. If successful, DLI intends to return to the Land Board for approval of the final sale.

DLI Recommendation

The Department of Labor and Industry recommends the Land Board grant preliminary approval to sell the building.

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210



September 29, 2023

Ms. Sarah Swanson
Commissioner
Montana Department of
Labor and Industry
P.O. Box 1728
Helena, MT 59624-1728

Dear Ms. Swanson:

This response is regarding your letter dated September 6, 2023, requesting disposition instructions for the real property located at 624 North 24th Street, Billings, MT 59101.

U.S. Department of Labor (DOL) Employment and Training Administration (ETA) real property records indicate the following equity interest by each program, which includes original building costs, capital improvements, and funding streams, including the amortization of Reed Act equity. ETA has included the capital improvements since ETA's property records were last updated, and that part of the original costs, a parking lot, were previously disposed of. They are as follows:

OFFICE NAME: Billings Local Office

Reed Act Equity:	36.2%
UI/ES Federal Equity:	32.6%
State Funds:	<u>31.2%</u>
Totals:	100.00%

ETA has reviewed the two appraisals provided by the State of Montana and accepts that the property's fair market value based on the average of the appraisals is \$865,000.

Upon completion of the sale, the state shall provide the ETA Regional Office with the final sale settlement statement. Proceeds relating to the DOL equity shall be used solely for program activities authorized under the Workforce Innovation and Opportunity Act, Wagner-Peyser Act, or Title III of the Social Security Act. (See 20 CFR 683.240(a)(2)).

Reed Act proceeds must be deposited immediately into the original SUTF subaccount from

where the appropriation originated. Excess Reed Act proceeds (amount in excess of the original appropriation) can only be used to pay UI claims benefits.

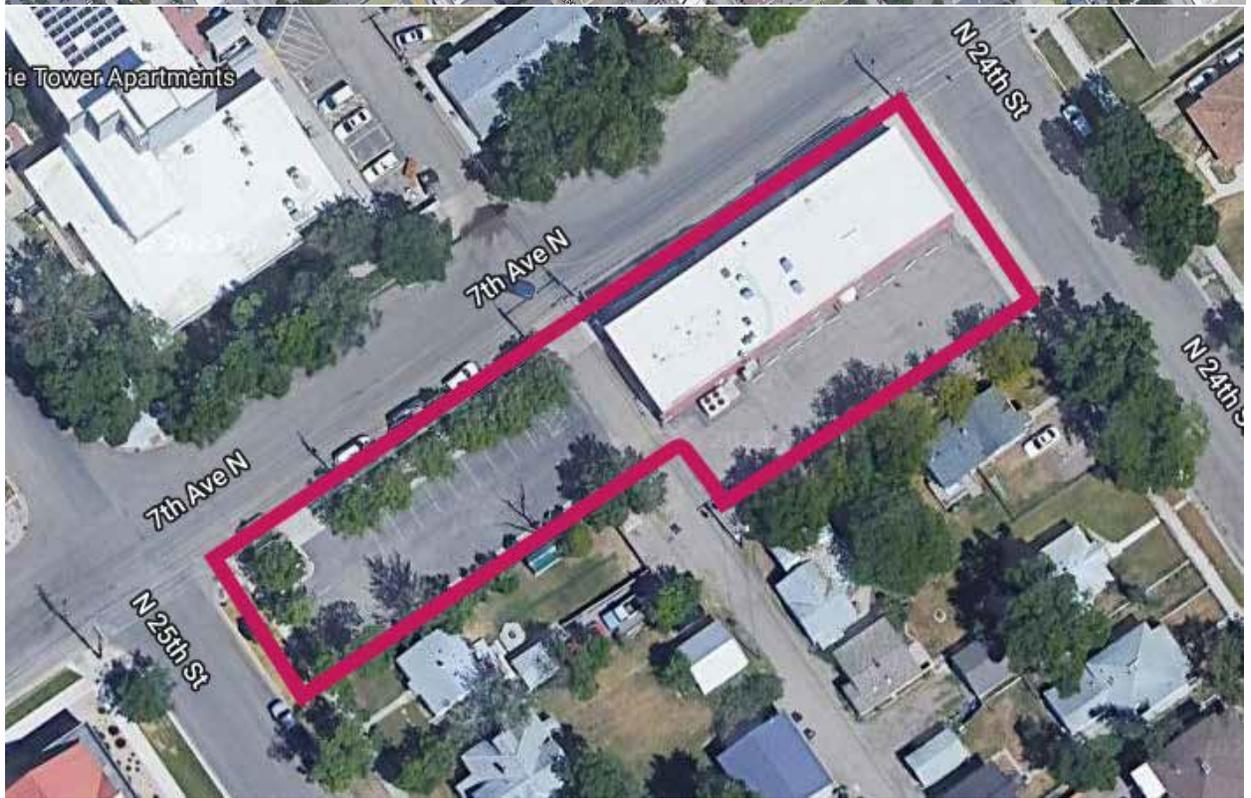
The DOL proceeds shall be reported on the quarterly ETA-9130 report but only when they are expended (see line 11(b) of the ETA-9130 report form). Further, these expenditures must be recorded in the state's book of accounts and included within the scope of its annual Single Audit.

Accordingly, ETA hereby grants the State of Montana approval to dispose of this property. If you have any questions, please contact Charles Watts at (972) 850-4630 or watts.charles@dol.gov.

Sincerely,

A handwritten signature in cursive script that reads "Serena Boyd".

SERENA BOYD
Grant Officer





1223-2

OIL AND GAS LEASE SALE:

December 5, 2023

**Land Board Agenda Item
December 18, 2023**

1223-2 Oil and Gas Lease Sale (December 5, 2023)

Location: Garfield, Pondera, Richland, Rosebud Counties

Trust Benefits: Common Schools

Trust Revenue: \$63,840.00

Item Summary

The Department of Natural Resources and Conservation (DNRC) held an online oil and gas lease sale that started on November 29 and closed on December 5, 2023, through an online auction company, EnergyNet. A total of seven tracts were offered for lease. Seven tracts were leased for a total of \$63,840.00. The seven tracts that were sold covered a total of 3,320.00 acres. The average bid per acre was \$19.23.

The high competitive bid for the December 5, 2023 sale was \$92.00 per acre and the largest total bid was \$58,880.00 for Tract 2 in Pondera County.

DNRC Recommendation

The director requests Land Board approval to issue the leases from the December 5, 2023, oil and gas lease sale.

**State of Montana
Oil & Gas Lease Sale - December 5, 2023
Lease Sale Results**

The following described lands were offered for oil and gas leasing through an online bidding service, EnergyNet, beginning November 29, 2023 and closed on December 5, 2023.

Tract	Stipulations	Twp	Rng	Sec	Description	Acres	Bid/Acre	Total Bid	Lessee
Garfield									
1	1, 2, 3, 4, 5, 6, 9, 13	13.N	34.E	16	ALL	640.00	\$1.50	\$960.00	SAGE ENERGY GROUP LLC
Pondera									
2	1, 2, 3, 4, 5, 6, 10, 11	27.N	2.W	16	ALL	640.00	\$92.00	\$58,880.00	SAGE ENERGY GROUP LLC
3	1, 2, 3, 4, 5, 6	28.N	4.W	4	SW4SE4, S2SW4	120.00	\$2.00	\$240.00	TWIN BRIDGES RESOURCES, LLC
4	1, 2, 3, 4, 5, 6, 8	28.N	4.W	16	ALL	* 640.00	\$1.50	\$960.00	TWIN BRIDGES RESOURCES, LLC
Richland									
5	1, 2, 3, 4, 5, 6, 12	24.N	52.E	28	N2	* 320.00	\$2.25	\$720.00	TMDH ENERGY LLC
6	1, 2, 3, 4, 5, 6, 12	24.N	52.E	36	ALL	640.00	\$2.25	\$1,440.00	TMDH ENERGY LLC
Rosebud									
7	1, 2, 3, 4, 5, 6, 7, 9, 13	13.N	34.E	26	E2	320.00	\$2.00	\$640.00	SAGE ENERGY GROUP LLC

* Part or all of tract is not state-owned surface

Summary by Lessor

	Total Acres	Total Tracts
Dept. of Natural Resources and Conservation	3,320.00	7

Oil and Gas Lease Sale Summary

Total Tracts	7
Total Acres	3,320.00
Total Bid Revenue	\$63,840.00
Average Bid Per Acre	\$19.23

State of Montana
Oil & Gas Lease Sale - December 5, 2023
Stipulations

- 1 Lessee shall notify and obtain approval from the Department's Forestry and Trust Land Management Division (FTLD) prior to constructing well pads, roads, power lines, and related facilities that may require surface disturbance on the tract. Lessee shall comply with any mitigation measures stipulated in FTLD's approval.
- 2 Prior to the drilling of any well on or into the lease premises, lessee shall send one copy of the well prognosis, including Form 22 "Application for Permit" to the Department's Forestry and Trust Land Division (FTLD). After a well is drilled and completed, lessee shall send one copy of all logs run, Form 4A "Completion Report", and geologic report to FTLD. A copy of Form 2 "Sundry Notice and Report of Wells" or other appropriate Board of Oil and Gas Conservation form shall be sent to FTLD whenever any subsequent change in well status or operator is intended or has occurred. Lessee shall also notify and obtain approval from the FTLD prior to plugging a well on the lease premises.

Issuance of this lease in no way commits the Land Board to approval of coal bed methane production on this lease. Any coal bed methane extraction wells would require subsequent review and approval by the board.
- 3 The FTLD will complete an initial review for cultural resources and, where applicable, paleontological resources of the area intended for disturbance and may require a resources inventory. Based on the results of the inventory, the FTLD may restrict surface activity for the purpose of protecting significant resources located on the lease premises.
- 4 The lessee shall be responsible for controlling any noxious weeds introduced by lessee's activity on State-owned land and shall prevent or eradicate the spread of those noxious weeds onto land adjoining the lease premises. The lessee's methods of control shall be reviewed and approved by the Department's Unit Office that has jurisdiction for that locale.
- 5 The definitions of "oil" and "gas" provided in 82-1-111, MCA, do not apply to this lease for royalty calculation purposes.
- 6 If the State does not own the surface, the lessee must contact the owner of the surface in writing at least 30 days prior to any surface activity. A copy of the correspondence shall be sent to FTLD.
- 7 Due to unstable soil conditions on this tract and/or topography that is rough and/or steep, surface use may be restricted or denied. Seismic activity may be restricted to poltershots.
- 8 The lessee is responsible to pay for all damages, including penalties and charges assessed by the USDA-CFSA on CRP lands, as a result of drilling and production on the tract.
- 9 This lease is located within designated sage grouse core habitat. Proposed activities are subject to, and shall comply with, all provisions, stipulations and mitigation requirements of the Montana Sage Grouse Habitat Conservation Strategy, as implemented by Governor's Executive Orders 10-2014, 12-2015, and amendments thereto. Contact the FTLD prior to preparing a project proposal.
- 10 This tract currently contains oil and gas production equipment associated with the operation of oil and gas wells. This lease does not include the ownership or title to any of the surface production equipment currently located on the tract nor is it implied.
- 11 This tract has (an) existing well(s). The lessee has 45 days from the effective date of this lease to determine whether or not to assume responsibility from the former lessee for the well(s). The lessee may not enter the well(s) until a change of operator has been filed with, and approved by, the Board of Oil and Gas Conservation. If a change of operator is accepted, the(se) well(s) must be returned to commercial production or plugged and the well site(s) reclaimed within 18 months from the effective date of this lease.
- 12 If whooping cranes are observed on-site, construction and/or maintenance activities shall be suspended until birds leave the area.
- 13 Wildlife species of concern have been identified on or near this tract. Identified species will be avoided, unless otherwise authorized by the FTLD. Additional mitigation measures may also be required.

1223-3

CABIN AND HOME SITES:

Set Minimum Bid for Sale

- A. Flathead County
- B. Lewis and Clark County

**Land Board Agenda Item
December 18, 2023**

1223-3A Cabin and Home Sites: Set Minimum Bid for Sale

Location: Flathead County
Trust Benefits: Montana Tech
Trust Revenue: \$390,000

Item Summary

The Department of Natural Resources and Conservation (DNRC) is requesting to set the minimum bid for one (1) cabin site nominated for sale in Flathead County. This sale was nominated by the lessee in conjunction with the 2022-2023 Cabin and Home Site Sale Program.

Sale No.	Acres	Legal Description	Nominator	Trust
2057	1.23±	Lot 15, Beaver Lake, COS 22282 Section 20, T31N-R22W	Ross & Sandra Anderson	Montana Tech

This parcel is currently leased as a cabin site and produces above average income for residential leases statewide.

Background:

Preliminary Land Board approval was granted in December of 2022 (Approved 4-1).

Cultural/Paleontological Resources:

A Class I level of cultural resource inventory was conducted for this proposed sale. Cabin sites typically contain numerous structures and the ground surfaces within most cabin sites have been variously disturbed over the course of many years of occupation and development. This sale will have no effect to state-owned heritage properties.

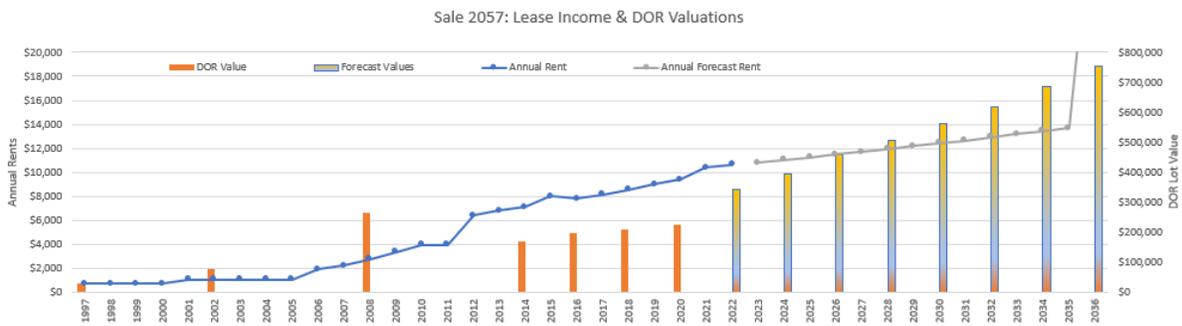
Access/Recreational Use:

As part of the cabin site sale process, the State will convey any access that it has and can be conveyed to the purchaser of the cabin or home site property. Current cabin/home site access is limited to the lessee and does not provide access or recreational use to the general public. State lands classified as cabin or home sites are closed to general recreational use by the public in accordance with ARM 36.25.150(1)(a). Therefore, the State is not selling land under the cabin site sale program that the public is permitted to use for recreation. Rather, the funds generated by these sales will go towards purchasing new lands that will have dedicated public access and recreational opportunities.

Economic Analysis:

Short term – The average rate of return on this sale parcel is 1.806%. The parcel will continue to receive this return if it remains in state ownership. The income rate of return will likely grow smaller over the next 20 years, as average annual value appreciation is greater than the annual rent increase, as shown in Figure 1 below.

Figure 1: Sale 2057-Review of Past Income and Values; Forecast Income & Values



Forecast assumptions:
 1. the average annual appreciation rate of the future DOR lot value used here is 4.71%, based on the FHFA House Price Index for Montana, 2000 - 2020.
 2. lease contract terms provide for a 2% annual rent increase on the current contract template, starting from a base rent of 5% of the most recent DOR valuation.

Long term – The funds from the sale of this parcel would be combined with other sale funds to purchase replacement lands through DNRC’s Land Banking program. Lands purchased are required to have an equal or greater rate of return than the combined lands that generated the sale funds used for the purchase. To date, the average annual rate of return on acquisitions has been 3.33% on acquisitions with income generated from annual lease payments. However, the rates of return on land acquired more recently have been higher, ranging from 3.58% on acquisitions purchased within the last five years to 3.89% for lands acquired within the last ten years. Figure 2 shows hypothetical lot values derived from the 3-year average net revenue of the current lease, at a sample range of income rates of return that could be anticipated when the sale proceeds are used for a land banking acquisition.

Figure 2: Lot Values derived from 3-year Average Net Income at Sample Rates of Return

Sale Number		Rate of Return at Current Appraised Value for Land	Average Rate of Return on all Land Banking Acquisitions	Average Rate of Return on Land Banking Acquisitions within the last 5 years	Average Rate of Return on Land Banking Acquisitions within the last 10 years
	Income Rate of Return	1.806%	3.33%	3.58%	3.89%
2057	Derived Lot Value	\$390,000	\$304,688	\$283,411	\$260,825

Appraised Values of Land and Improvements:

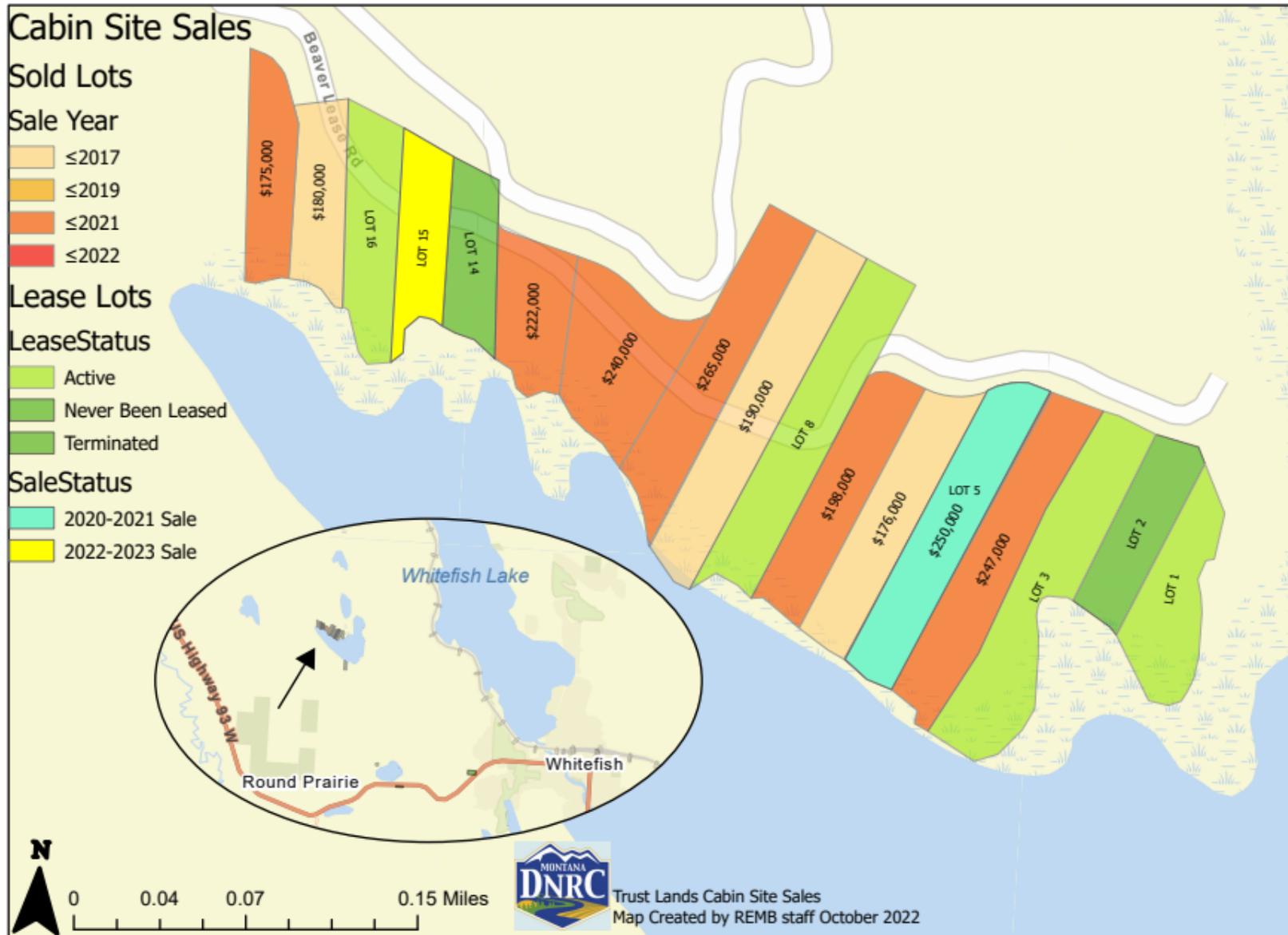
The appraisal of this cabin site was prepared by Montana General Certified Appraiser Jennifer L. McGinnis, MAI of McGinnis Real Estate Appraisal Group, LLC in Polson, Montana.

Sale No.	Appraised Land Value	Appraised Improvements Value
2057	\$390,000	\$10,000

DNRC Recommendation

The DNRC recommends that the Land Board set the minimum bid for this cabin site at the appraised land value and the maximum value of compensation for the improvements shown above.

Sales 2057, Beaver Lake, Flathead County



**Land Board Agenda Item
December 18, 2023**

1223-3B Cabin and Home Sites: Set Minimum Bid for Sale

Location: Lewis and Clark County
Trust Benefits: Common Schools
Trust Revenue: \$150,000

Item Summary

The Department of Natural Resources and Conservation (DNRC) is requesting to set minimum bid for one (1) cabin site nominated for sale in Lewis and Clark County. The sale was nominated by the lessees in conjunction with the 2022-2023 Cabin and Home Site Sales Program.

Sale No.	Acres	Legal Description	Nominator	Trust
2041	3.244±	Lot 47, Lincoln Flats, COS 3242262 T14N-R8W, Section 16	Scott & Catherine Joyner	Common Schools

This parcel is currently leased as a cabin site and produces below average income for residential leases statewide.

Background:

Preliminary Land Board approval was granted in December of 2022 (Approved 4-1) for this site to be included as part of the 2022-2023 Cabin Site Sales Program.

Cultural/Paleontological Resources:

A Class I level of cultural resource inventory was conducted for the proposed sale. Home sites typically contain numerous structures and the ground surfaces within most home sites have been disturbed over the course of many years of occupation and development. The sale will have no effect to state-owned heritage properties.

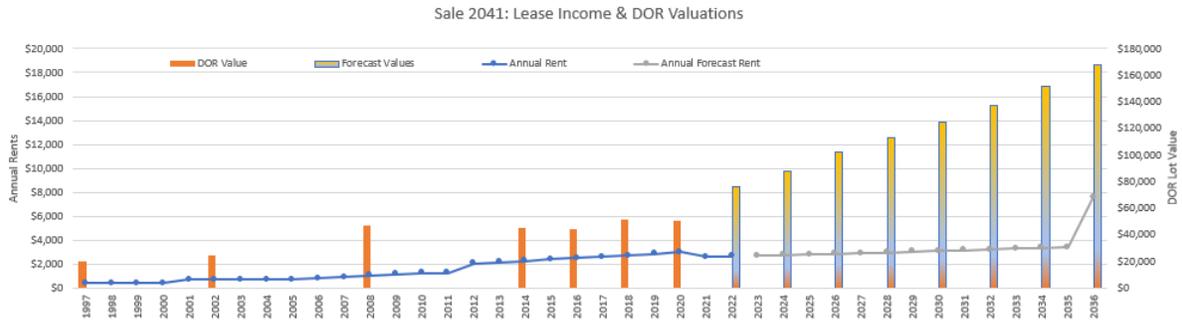
Access/Recreational Use:

As part of the cabin site sale process, the State will convey any access that it has and can be conveyed to the purchaser of the cabin or home site property. Current cabin/home site access is limited to the lessee and does not provide access or recreational use to the general public. State lands classified as cabin or home sites are closed to general recreational use by the public in accordance with ARM 36.25.150(1)(a). Therefore, the State is not selling land under the cabin site sale program that the public is permitted to use for recreation. Rather, the funds generated by these sales will go towards purchasing new lands that will have dedicated public access and recreational opportunities.

Economic Analysis:

Short term – The average rate of return on this sale parcel is 1.262%. The parcel will continue to receive this return if it remains in state ownership. The income rate of return will likely grow smaller over the next 20 years, as average annual value appreciation is greater than the annual rent increase, as shown in Figure 1 below.

Figure 1: Sale 2041-Review of Past Income and Values; Forecast Income & Values



Forecast assumptions:
 1. the average annual appreciation rate of the future DOR lot value used here is 4.71%, based on the FHFA House Price Index for Montana, 2000 - 2020.
 2. lease contract terms provide for a 2% annual rent increase on the current contract template, starting from a base rent of 5% of the most recent DOR valuation.

Long term – The funds from the sale of these parcels would be combined with other sale funds to purchase replacement lands through DNRC’s Land Banking program. Lands purchased are required to have an equal or greater rate of return than the combined lands that generated the sale funds used for the purchase. To date, the average annual rate of return on acquisitions has been 3.33% on acquisitions with income generated from annual lease payments. However, the rates of return on land acquired more recently have been higher, ranging from 3.58% on acquisitions purchased within the last five years to 3.89% for lands acquired within the last ten years. Figure 2 shows hypothetical lot values derived from the 3-year average net revenue of the current lease, at a sample range of income rates of return that could be anticipated when the sale proceeds are used for a land banking acquisition.

Figure 2: Lot Values derived from 3-year Average Net Income at Sample Rates of Return

Sale Number		Rate of Return at Current Appraised Value for Land	Average Rate of Return on all Land Banking Acquisitions	Average Rate of Return on Land Banking Acquisitions within the last 5 years	Average Rate of Return on Land Banking Acquisitions within the last 10 years
	Income Rate of Return	1.26%	3.33%	3.58%	3.89%
2041	Derived Lot Value	\$150,000	\$81,390	\$76,209	\$70,135

Appraised Values of Land and Improvements:

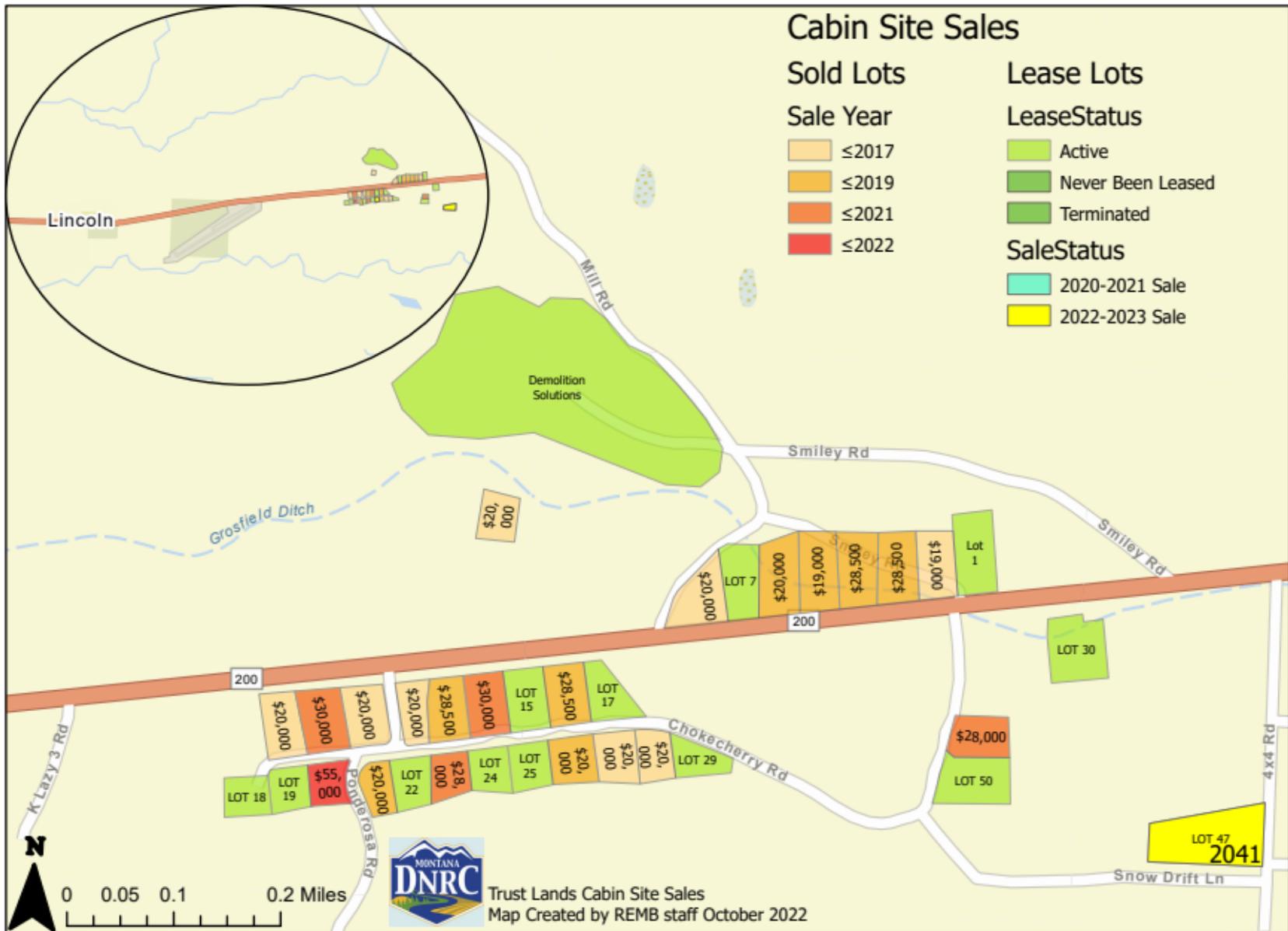
The appraisal was prepared by Montana General Certified Appraiser Nicholas J. Hogan, MAI of Hogan Real Estate Appraisal Group, LLC in Missoula, Montana. The sale proponents appealed the land value determined by the appraiser and requested a hearing regarding the appraised land value. The administrative hearing was held on October 10, 2023. Administrative Law Judge Martin Balukas' recommendation to the Land Board was to set minimum bid at the appraised land value shown below.

Sale No.	Appraised Land Value	Appraised Improvements Value
2041	\$150,000	\$40,000

DNRC Recommendation

The DNRC recommends that the Land Board set the minimum bid for this cabin site at the appraised land value and the maximum value of compensation for the improvements shown above.

Sales 2041, Lincoln Flats, Lewis & Clark County



1223-4

EASEMENTS:

Standard Grant

**Land Board Agenda Item
December 18, 2023**

1223-4 Easements: Standard Grant

**Location: Fergus, Lewis & Clark, Mineral, Powder River, Sweet Grass
and Teton Counties**

**Trust Benefits: Common Schools, Public Buildings, Public Land Trust –
Navigable Rivers**

**Trust Revenue: Common Schools = \$14,910.00
Public Buildings = \$ 1,860.00
Public Land Trust = \$ 108.00**

Item Table of Contents

Applicant	Right-of-Way Purpose	Term	Page(s)
NorthWestern Energy	Buried Electric Distribution Line	Permanent	30-31
Sun River Electric Cooperative, Inc.	Overhead Electric Distribution Line	Permanent	32-35
Mid-Rivers Telephone Cooperative, Inc.	Buried Fiber Optic Cable	Permanent	36-39
Triangle Telephone Cooperative Association, Inc.	Buried Fiber Optic Cable	Permanent	40-43
Range Telephone Cooperative, Inc.	Buried Fiber Optic Cable	Permanent	44-47

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 East Park Street
Butte, MT 59801

Application No.: 19600

R/W Purpose: a buried 12.47kV electric distribution line

Lessee Agreement: N/A (Unleased)

Acreage: 0.82

Compensation: \$3,100.00

Legal Description: 30-foot strip through NE4SE4, Sec. 16, Twp. 19N, Rge. 30W,
Mineral County

Trust Beneficiary: Common Schools

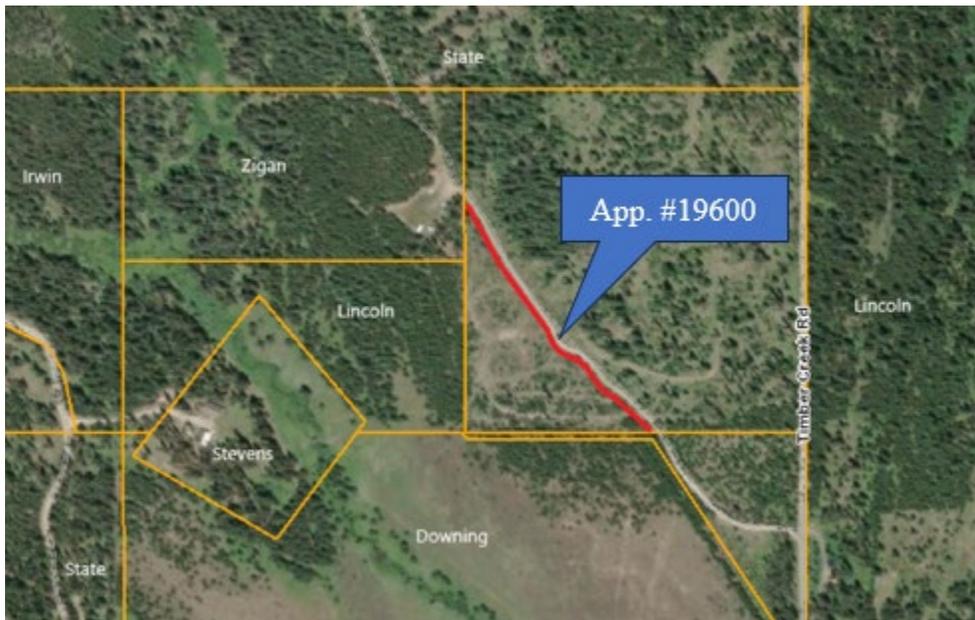
Item Summary

NorthWestern Energy has requested an easement for an existing buried 12.47kV electric distribution line that supplies electrical power to a local resident in Mineral county. This power line was constructed along an existing access road in trespass in May 2016 when providing service to the private property. This application is being submitted in an effort to legitimize this line.

DNRC Recommendation

The DNRC recommends approval of the application of NorthWestern Energy.

Application #19600



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Sun River Electric Cooperative, Inc.
PO Box 309
Fairfield, MT 59436

Application No.: 19604
R/W Purpose: an overhead 69,000 volt electric transmission line
Lessee Agreement: ok
Acreage: 3.405
Compensation: \$4,560.00
Legal Description: 30-foot strip through NW4NE4SE4, Sec. 25, Twp. 22N, Rge. 8W,
Lewis & Clark and Teton Counties
Trust Beneficiary: Common Schools, Public Buildings and Public Land Trust –
Navigable Rivers.

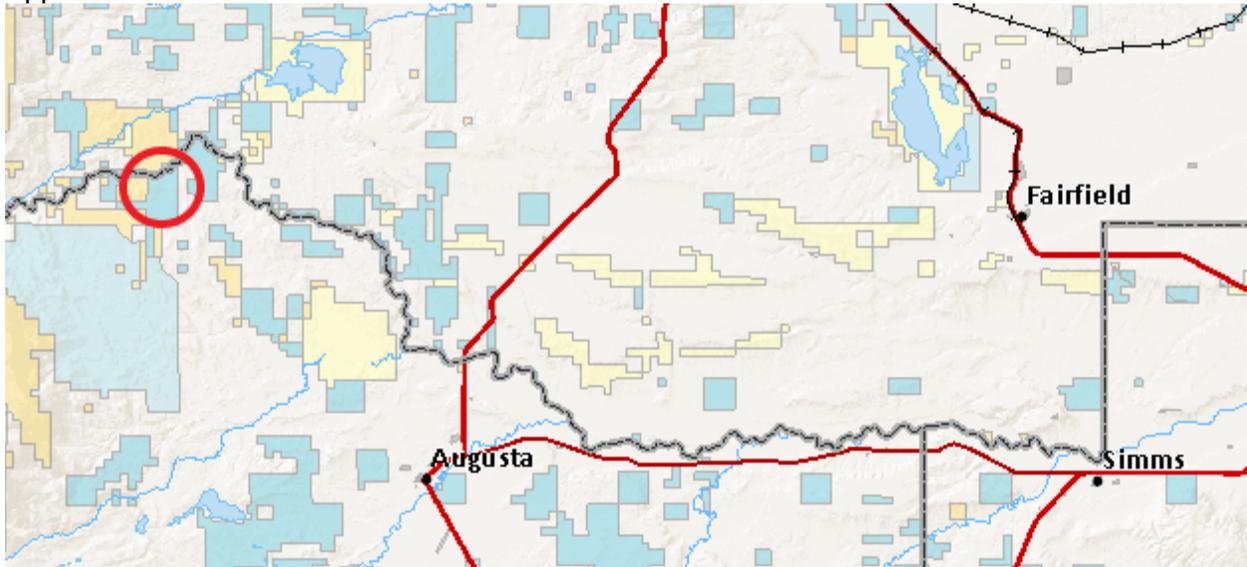
Item Summary

Sun River Electric Cooperative, Inc. is requesting an easement to install a 69,000 volt overhead transmission line to generation sites of the Greenfields Irrigation District on the Pishkun Canal. The proposed route is the least intrusive to the grazing practices of local ranches, meets the environmental aspect put forth by BLM, and allows for a crossing point of the Sun River.

DNRC Recommendation

The DNRC recommends approval of the application of Sun River Electric Cooperative, Inc.

Application #19604



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Sun River Electric Cooperative, Inc.
PO Box 309
Fairfield, MT 59436

Application No.: 19605
R/W Purpose: an overhead 69,000 volt electric transmission line
Lessee Agreement: ok
Acreage: 0.33
Compensation: \$327.00
Legal Description: 30-foot strip through NE4, Sec. 36, Twp. 22N, Rge. 8W,
Lewis & Clark County
Trust Beneficiary: Common Schools

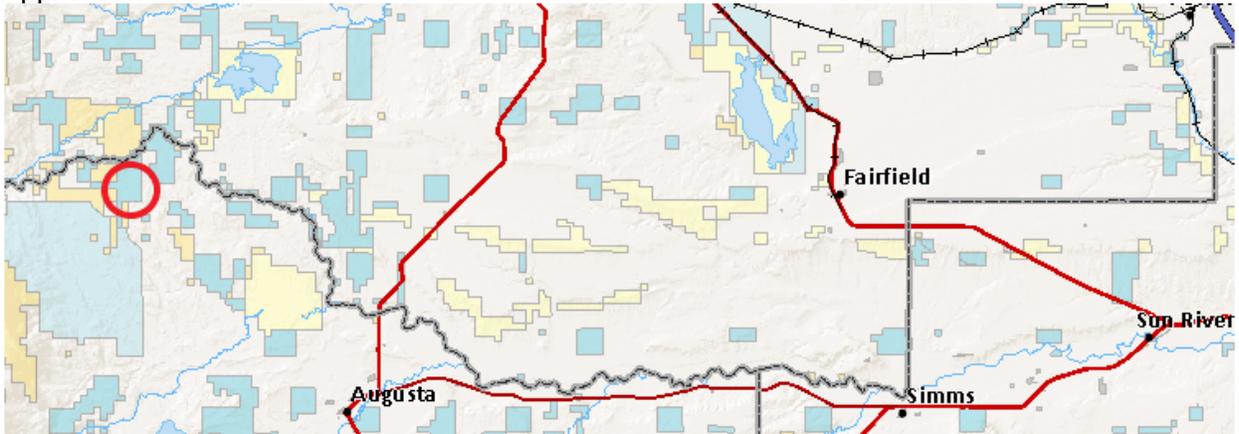
Item Summary

Continuation of Sun River Electric Cooperative easement request.

DNRC Recommendation

The DNRC recommends approval of the application of Sun River Electric Cooperative, Inc.

Application #19605



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Mid-Rivers Telephone Cooperative, Inc.
PO Box 280
Circle, MT 59215

Application No.: 19606
R/W Purpose: a buried fiber optic cable
Lessee Agreement: ok
Acreage: 0.49
Compensation: \$735.00
Legal Description: 16-foot strip through Gov. Lot 4, Sec. 6, Twp. 19N, Rge. 23E,
Fergus County
Trust Beneficiary: Common Schools

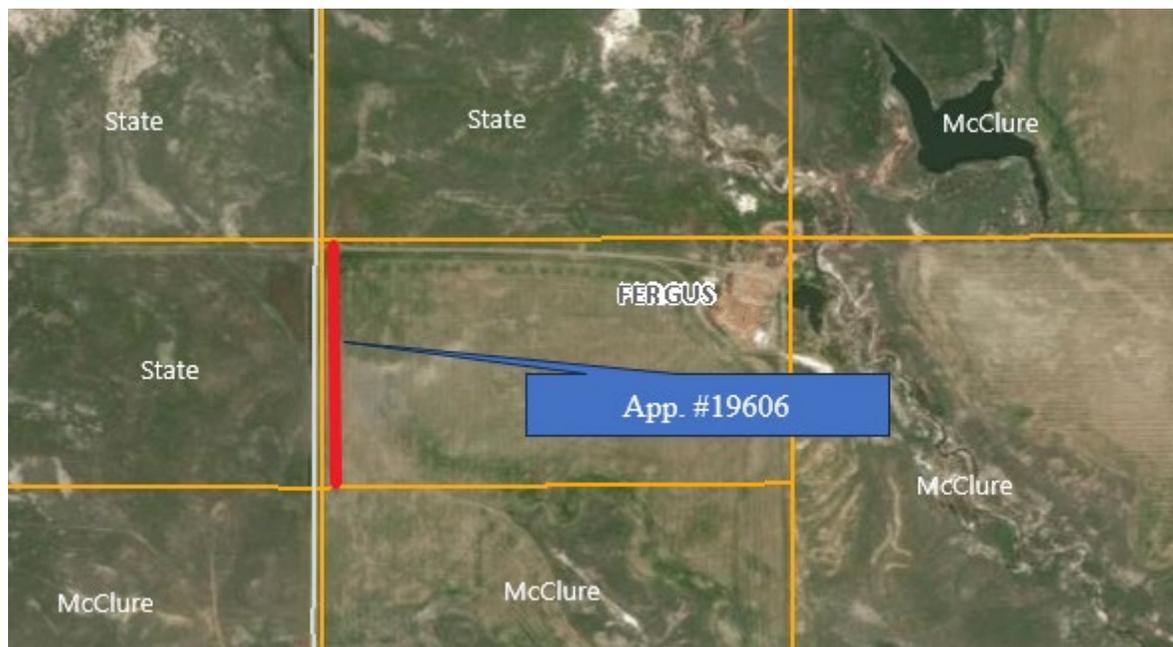
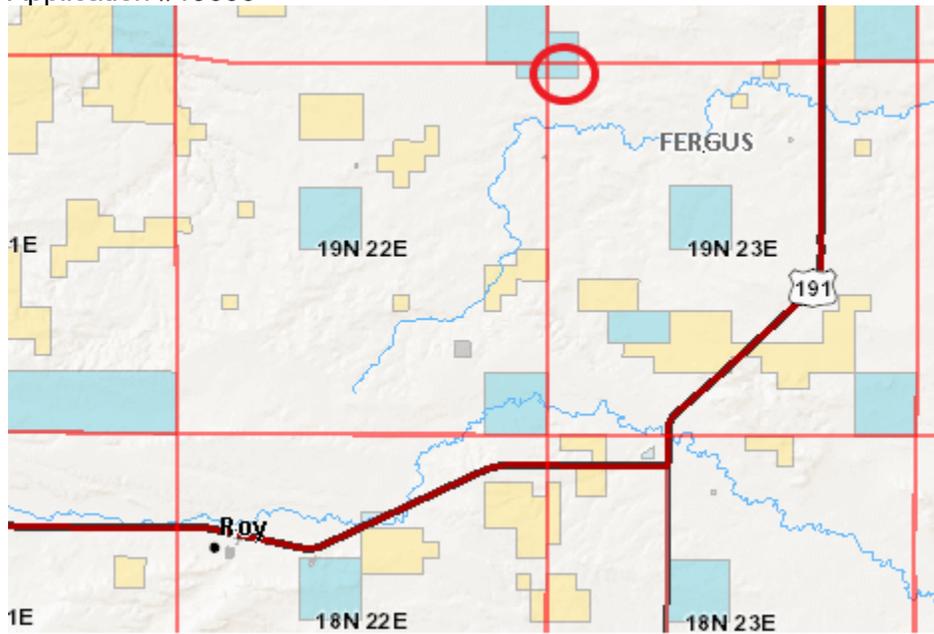
Item Summary

Mid-Rivers Telephone Cooperative, Inc. is requesting an easement to install a buried fiber optic telecommunications cable. The line will provide reliable telephone and broadband services to homes and businesses in Fergus county. The proposed route was chosen in order to follow the existing roadway (Cimrhakl Road). Other routes were considered and eliminated for topographical, environmental, and economic reasons.

DNRC Recommendation

The DNRC recommends approval of the application of Mid-Rivers Telephone Cooperative, Inc.

Application #19606



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Mid-Rivers Telephone Cooperative, Inc.
PO Box 280
Circle, MT 59215

Application No.: 19607
R/W Purpose: a buried fiber optic cable
Lessee Agreement: ok
Acreage: 0.97
Compensation: \$728.00
Legal Description: 16-foot strip through Gov. Lots 3 and 4, Sec. 31, Twp. 20N, Rge. 23E, Fergus County
Trust Beneficiary: Common Schools

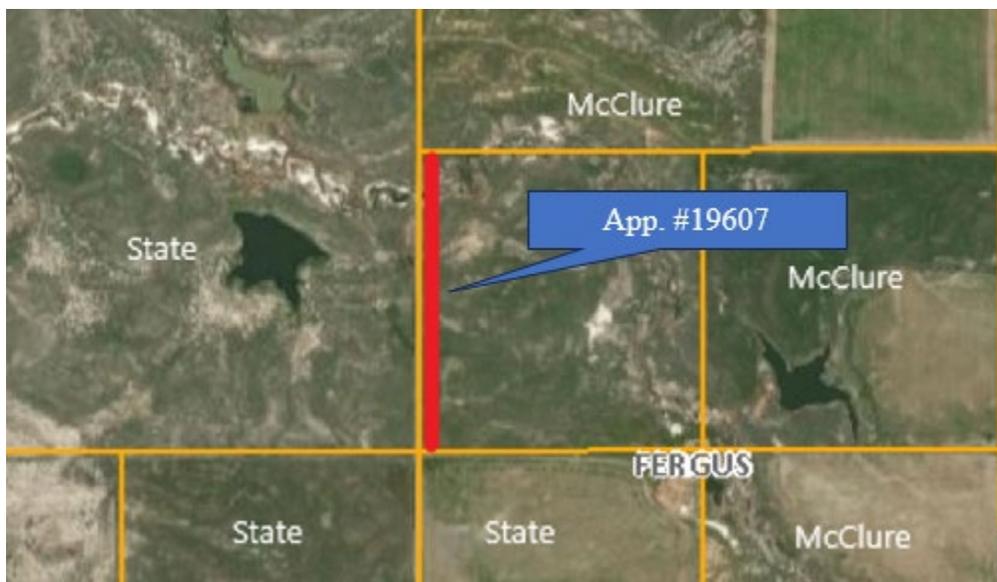
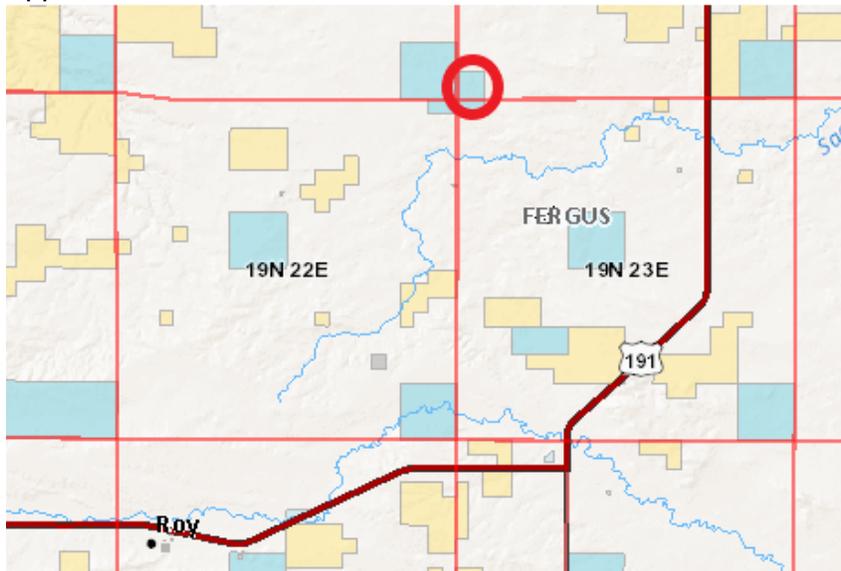
Item Summary

Continuation of Mid-Rivers Telephone Cooperative easement request.

DNRC Recommendation

The DNRC recommends approval of the application of Mid-Rivers Telephone Cooperative, Inc.

Application #19607



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Triangle Telephone Cooperative Association, Inc.
PO Box 1220
Havre, MT 59201

Application No.: 19608
R/W Purpose: a buried fiber optic cable
Lessee Agreement: ok
Acreage: 1.20
Compensation: \$1,440.00
Legal Description: 20-foot strip through NE4NW4 and SW4NW4, Sec. 11, Twp. 1S,
Rge. 13E, Sweet Grass County
Trust Beneficiary: Common Schools

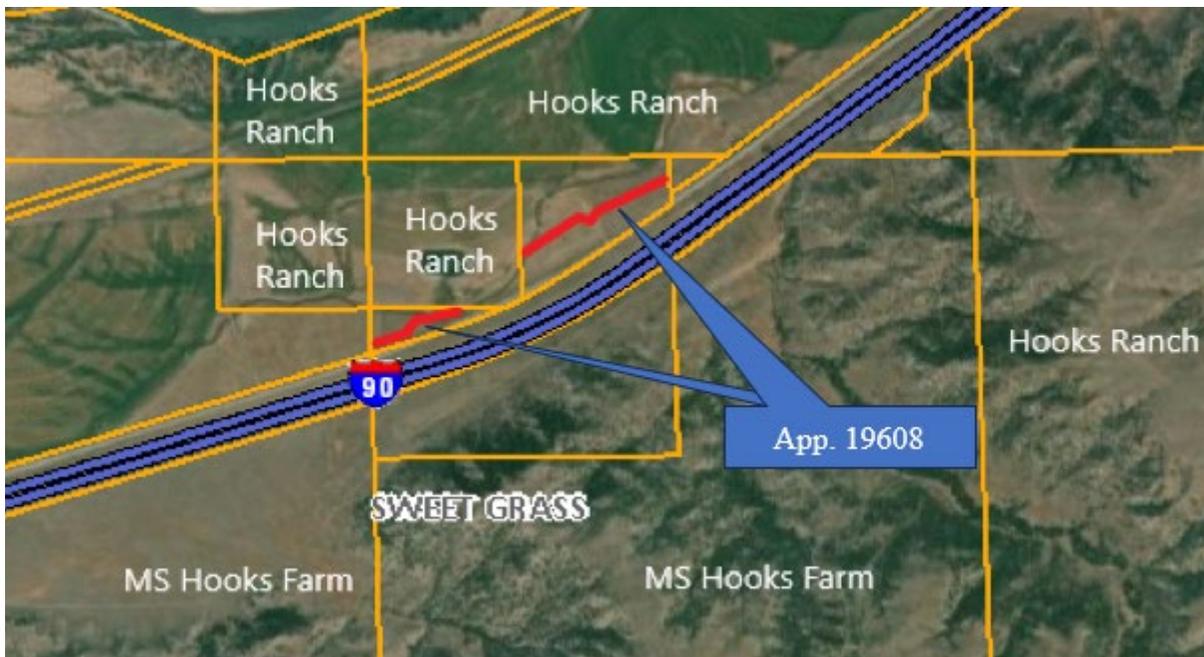
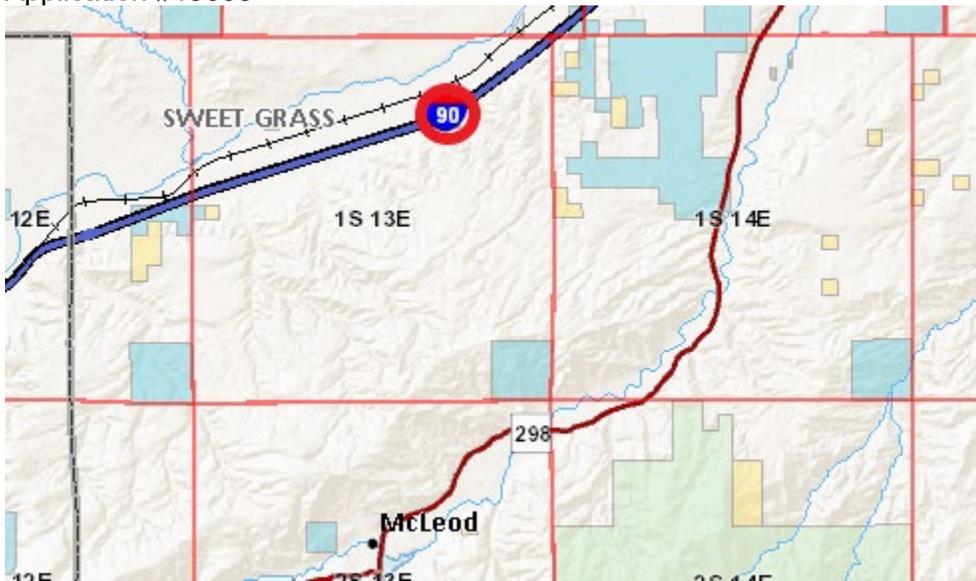
Item Summary

Triangle Telephone Cooperative Association, Inc. is requesting an easement to replace existing copper telecommunications with buried fiber optic in their Big Timber exchange. The improvements will offer state-of-the-art telecommunications toll and distribution facilities, as well as future growth capabilities. The proposed route was determined by field review as the most direct route between terminus locations while also providing access to existing and future network considerations. The proposed route is also located primarily along existing roadways.

DNRC Recommendation

The DNRC recommends approval of the application of Triangle Telephone Cooperative Association, Inc.

Application #19608



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Triangle Telephone Cooperative Association, Inc.
PO Box 1220
Havre, MT 59501

Application No.: 19609
R/W Purpose: a buried fiber optic cable
Lessee Agreement: OK
Acreage: 1.83
Compensation: \$2,196.00
Legal Description: 20-foot strips through NE4SE4 and SE4SE4, Sec. 36, Twp. 1N,
Rge. 13E, Sweet Grass County
Trust Beneficiary: Common Schools

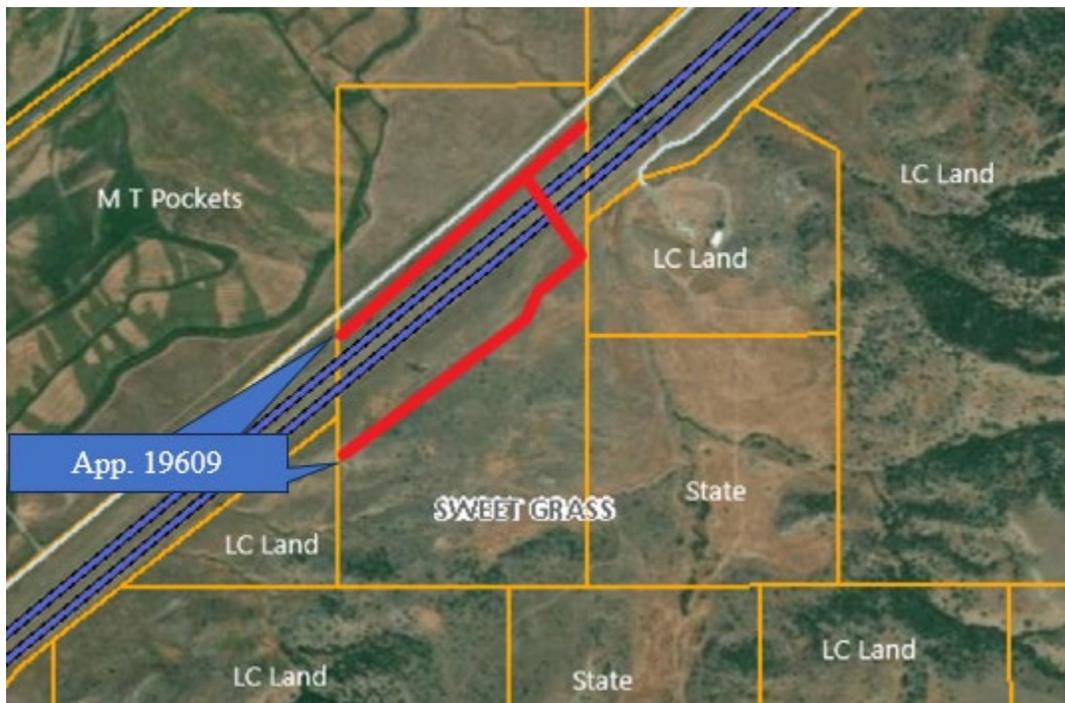
Item Summary

Continuation of Triangle Telephone Cooperative easement request.

DNRC Recommendation

The DNRC recommends approval of the application of Triangle Telephone Cooperative Association, Inc.

Application #19609



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Range Telephone Cooperative, Inc.
PO Box 127
Forsyth MT 59327

Application No.: 19610
R/W Purpose: a buried fiber optic cable
Lessee Agreement: ok
Acreage: 3.42
Compensation: \$2,052.00
Legal Description: 20-foot strip through E2NE4, N2SE4, E2SW4, SW4SW4, Sec. 16,
Twp. 4S, Rge. 52E, Powder River County
Trust Beneficiary: Common Schools

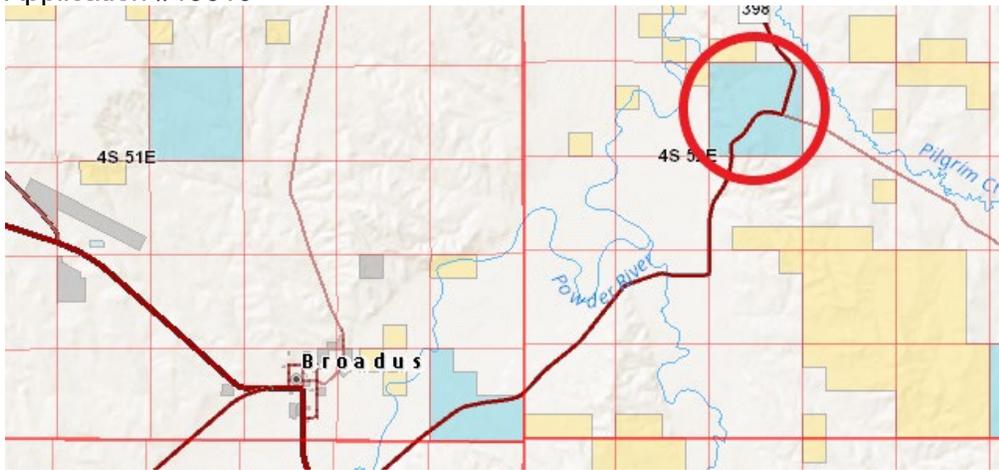
Item Summary

Range Telephone Cooperative, Inc. is requesting an easement to install a buried fiber optic telecommunications cable. The line will provide the necessary telecommunication infrastructure to provide service to local educational facilities, hospitals and government facilities. The infrastructure would also provide service to cell tower locations. The residents of this area would benefit from this infrastructure installation. The proposed route is also located primarily along existing roadways.

DNRC Recommendation

The DNRC recommends approval of the application of Range Telephone Cooperative, Inc.

Application #19610



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Range Telephone Cooperative, Inc.
PO Box 127
Forsyth, MT 59327

Application No.: 19611
R/W Purpose: a buried fiber optic cable
Lessee Agreement: ok
Acreage: 2.90
Compensation: \$1,740.00
Legal Description: 20-foot strip through Gov. Lot 4, N2S2, SE4NW4, Sec. 36,
Twp. 4S, Rge. 51E, Powder River County
Trust Beneficiary: Common Schools

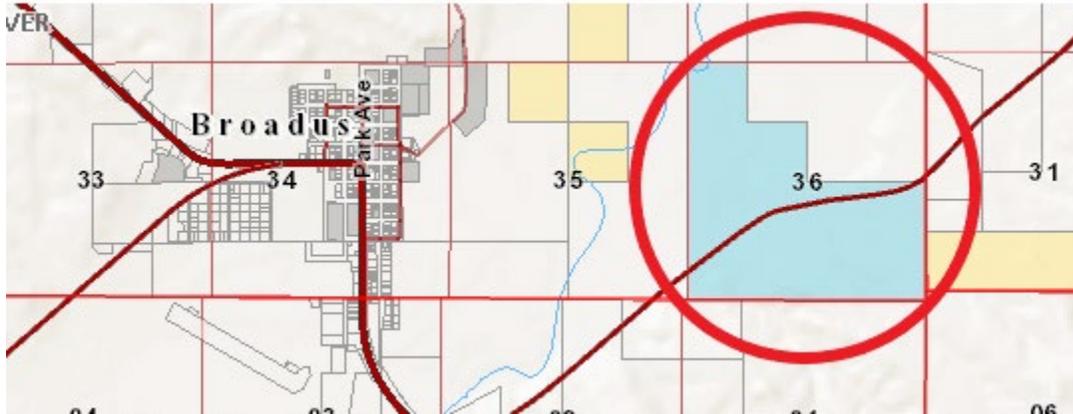
Item Summary

Continuation of Range Telephone Cooperative easement request.

DNRC Recommendation

The DNRC recommends approval of the application of Range Telephone Cooperative, Inc.

Application #19611



1223-5

CONSERVATION EASEMENT:

Owen Sowerwine

**Land Board Agenda Item
December 18, 2023**

1223-5 Conservation Easement – Owen Sowerwine

Location: Flathead County
Trust Benefits: Common Schools
Trust Revenue: \$970,000.00

Item Summary

Pursuant to 77-2-101(1)(e)(iii) MCA, Flathead Land Trust has applied to the Department for a conservation easement specific to Section 16, Township 28 North, Range 21 West, referred to as the Owen Sowerwine natural area. Located adjacent to the City of Kalispell, this parcel of State Trust Land is unique with two braided water bodies (Flathead and Stillwater Rivers), their associated sub-channels, sloughs and wetlands which provide exceptional habitat for bird and wildlife species. The vegetation consists of cottonwood stands and various other non-merchantable tree species. The parcel is legally accessible and open for recreation by the general public. All but approximately 6 acres of the entire 400+ acre parcel is within the 100-year floodplain, severely limiting the ability to capture development opportunities. Due to statutory restrictions, the land cannot be sold because of the river frontage and a fee title land exchange is improbable given the extensive amount of water frontage (i.e. similar water frontage property available to exchange to the State is rare).

Because of these constraints, this parcel lacks the opportunity to produce revenue as is common with other traditional trust lands. In 1976 the Land Board adopted a Master Plan for management of the property as a natural area, although it was not formally designated as such, and in 2003 that Master Plan was updated and again approved by the Land Board. In 1978 the Land Board reclassified the parcel to “Other” to enable authorizations with associated rentals for the purpose of managing the land as a natural area. Such authorizations have been issued since then to different entities including Flathead County Park Board, Flathead Audubon Society, and Montana Audubon. These authorizations have supported the efforts to maintain the property in a natural state in addition to providing on-site educational opportunities for school groups and others, while collecting revenue for the trust beneficiary.

To facilitate a permanent authorization as provided in statute, Flathead Land Trust and Flathead Audubon Society/Montana Audubon have collaborated with DNRC to draft a conservation easement and associated new Management Plan to replace the 2003 Master Plan.

Appraisal:

A Yellow-Book appraisal was completed and reviewed in compliance with federal requirements. This appraisal was subject to a technical appraisal review by an independent certified appraiser who concurred with the appraiser’s opinion of value. The appraisal and review considered the highest and best use of the property as well as the proposed restrictions of use in the draft conservation easement, resulting in the value of the easement interest disposed of being determined to be \$970,000. Revenue associated with the proposed conservation easement would continue to provide distributable annual revenue to the Common School trust through

disbursement of interest proceeds from the permanent fund while maintaining the core easement value of \$970,000 in the permanent fund.

Public Scoping and Environmental Assessment:

In response to Flathead Land Trust's application for a conservation easement, DNRC conducted public scoping in October 2022. A scoping notice was mailed to 125 adjacent landowners, tribal authorities and state, local, and federal agencies. Additionally, this proposal has been highlighted frequently in local print and electronic media, including *the Kalispell Daily Inter Lake* and *Flathead Beacon* as well as local television and radio broadcasts.

A total of 200 public comments were received during the public scoping process, with the vast majority expressing support for the proposal without identifying concerns. One comment stated opposition to a conservation easement in support of K-12 education, with no additional detail. Twelve responses included various concerns associated with public use of property (e.g., parking, recreational shooting, weeds, trespass, trash) and/or potential development and/or sale of the property. Public use concerns would be addressed through language in the conservation easement and management plan, while sale/development concerns are outside the scope of the analysis.

The Owen Sowerwine Conservation Easement Environmental Assessment was posted on the DNRC website on September 22, 2023, and determined that no significant impacts were associated with the Action Alternative, sale of a proposed conservation easement.

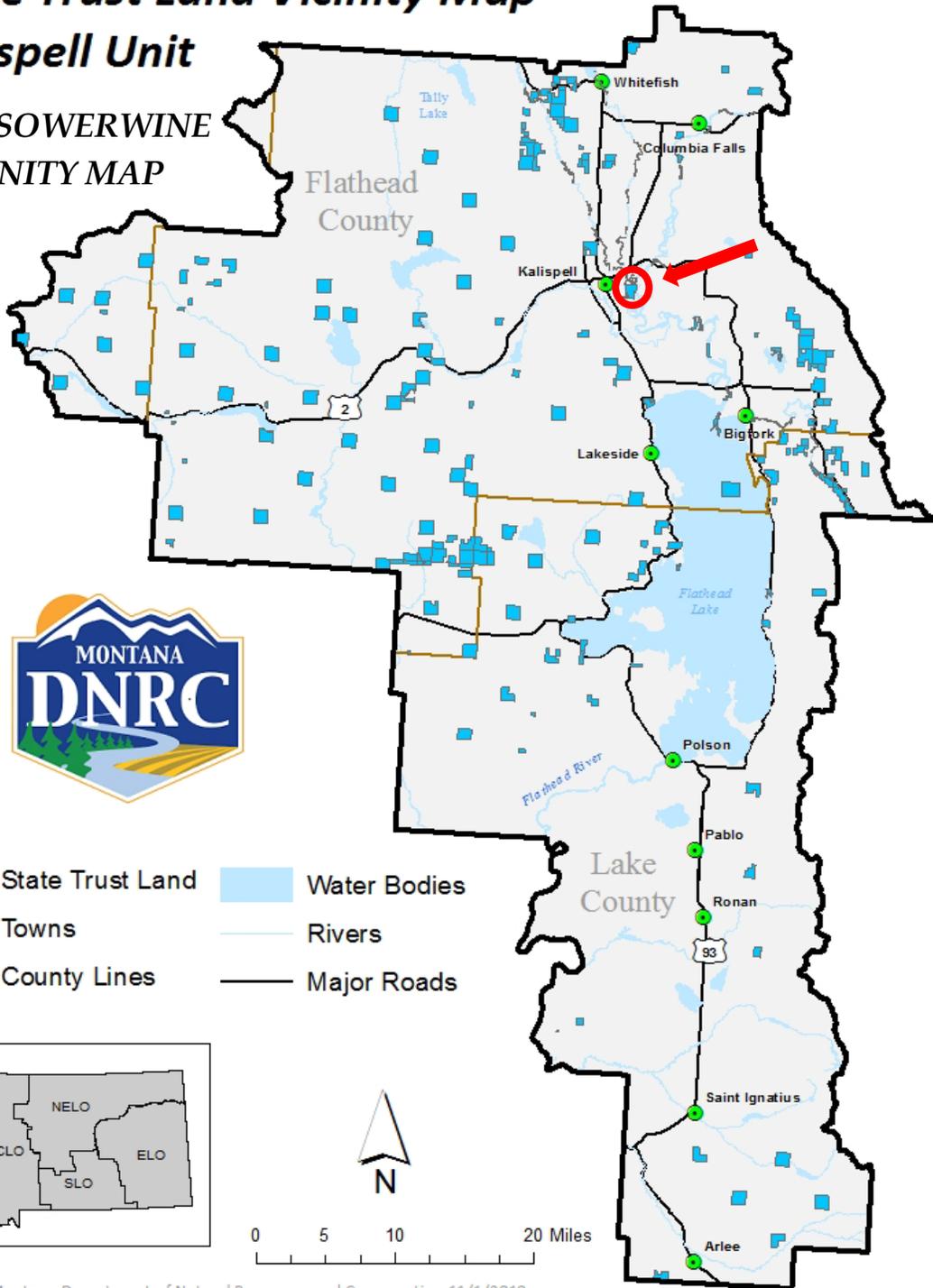
Recommendation

The DNRC recommends approval of the Owen Sowerwine Conservation Easement.

State Trust Land Vicinity Map

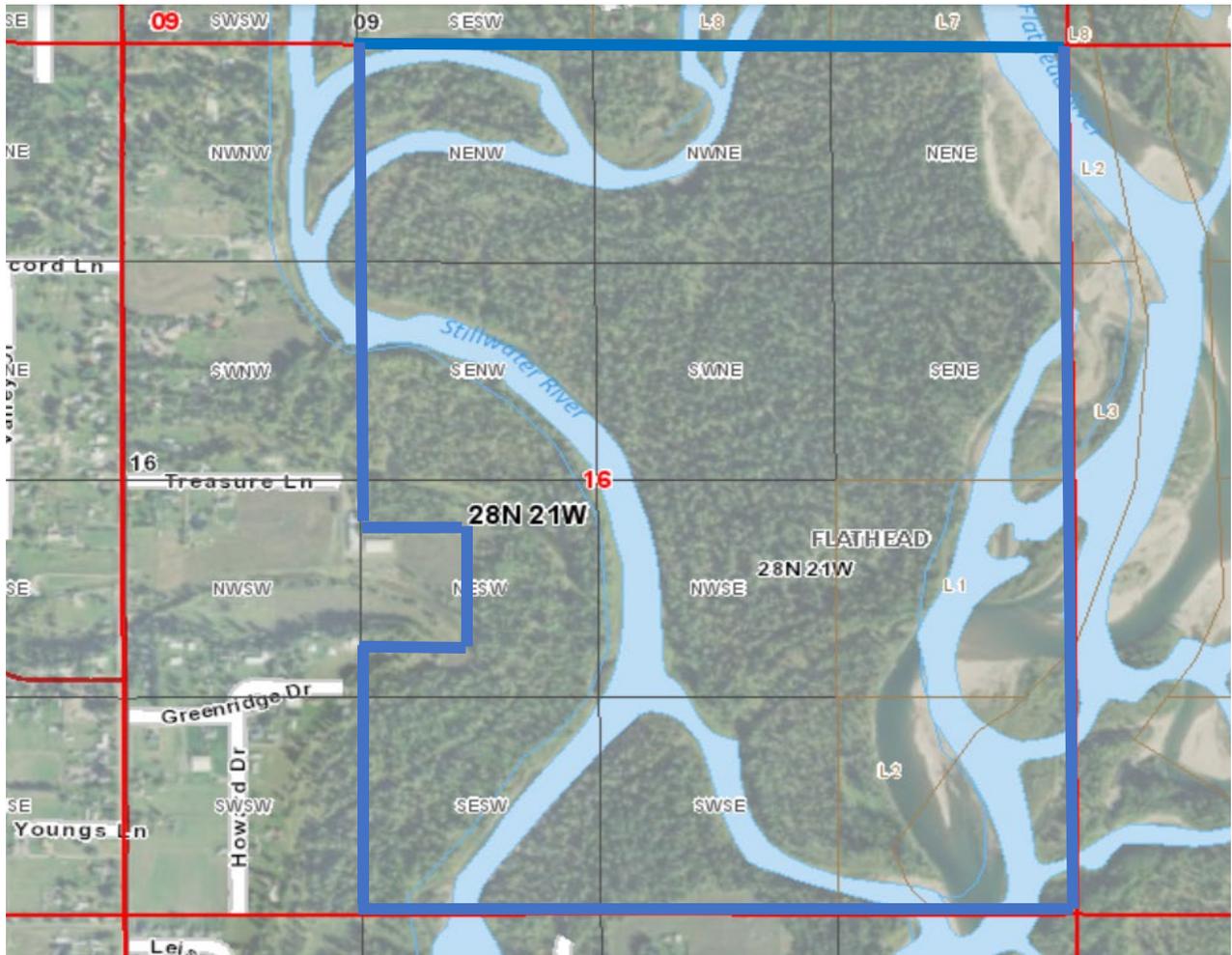
Kalispell Unit

OWEN SOWERWINE
VICINITY MAP



Produced by Montana Department of Natural Resources and Conservation 11/1/2019
Datum: NAD 1983 StatePlane

2021 AERIAL PHOTO OF THE PARCEL



1223-6

BIENNIAL CABIN SITE LEASE RATE REVIEW:

October 2021 - October 2023

**Land Board Agenda Item
December 18, 2023**

1223-6 Biennial Cabin Site Lease Rate Review: October 2021 – October 2023

Location: Beaverhead, Blaine, Broadwater, Cascade, Chouteau, Custer, Daniels, Fallon, Fergus, Flathead, Gallatin, Golden Valley, Hill, Judith Basin, Lake, Lewis & Clark, Lincoln, Madison, Mineral, Missoula, Musselshell, Phillips, Pondera, Powder River, Powell, Prairie, Richland, Rosebud, Sanders, Sheridan, Stillwater, Toole, Valley, Wheatland, Wibaux, and Yellowstone Counties

Trust Benefits: Common Schools, School for Deaf & Blind, Montana State University, Montana Tech, Pine Hills School, Public Buildings, Veterans Home, and Eastern College–MSU/Western College–UM

Trust Revenue: N/A

Item Summary

Every two years, the Department of Natural Resources and Conservation (DNRC) must present to the Land Board an economist’s review of cabin and home site lease rates from all new competitive bids and renewals conducted during the reporting period. This lease rate review requirement was established in September 2015 through a settlement agreement to a civil suit (Montrust III) and subsequent Administrative Rule (ARM 36.25.1014). This is the fourth biennial report presented to the Land Board under the ARM. Accordingly, the Biennial Cabin Site Lease Rate Review includes data from all cabin site lease bids and renewals within the two-year period between October 2021 and October 2023. Upon review of the biennial report the Land Board may consider whether to revise procedures and/or rental rates for cabin and home site leases.

Current Lease Rates

All rates are applied to the Department of Revenue (DOR) value for the leased land.

Bidding

Cabin site leases on unleased lots are issued through a competitive bidding process and the bid amount is the first year’s lease fee. Initial bidding for any individual lot starts at 6.5% for the first 60 days. If no bids are received the rate may be reduced to 5% for an additional 60 days. For lots located in neighborhoods with vacancy rates over 30%, the bid rate may be reduced further if unsuccessful at 6.5% and 5%. Bid rates may never be reduced to below 3.5% or \$800.

Renewals

Administrative Rule (ARM 36.25.1011) provides for cabin site leases to be renewed with preference right and issued upon expiration without competitive bidding. All renewals are offered at 5%, or \$800, whichever is higher.

Summary

The results of competitive bids received for the two-year period (average 5.99% for October 2021 – October 2023, and average 5.08% for the period of bidding from 2016 to October 2023) and of sales of improvements through non-family lease transfers (mean implicit market rate of 7.18%)

are indicative of a market for cabin site leasing which can continue to support a 5% or higher lease rate.

DNRC Recommendation

The DNRC recommends that continuing to hold minimum bids for vacant sites in low-vacancy neighborhoods at or above 5%.



Montana State Trust Lands Cabin Site Lease Rate Review 2023

Background

The settlement agreement reached in 2015 between MonTrust and the Board of Regents, and the DNRC and MT State Leaseholders Association stipulated that the results of implementing the settlement would be reviewed and considered by the Land Board every two years. In June of 2016, the Department finalized new Administrative Rules (ARM 36.25.1001-36.25.1021) for cabin site leasing implementing the terms of the settlement. All new bidding shall start at 6.5% of the Department of Revenue (DOR) value for the land, and after 60 days, the minimum bid may be reduced to 5%. Additionally, the ARM allows for the minimum bid rate to be further reduced after 60 days of bidding at 5%, for neighborhoods with high vacancy rates (30% or higher).

Implementation

Upon adoption of the ARM to implement the settlement, DNRC made vacant cabin sites available for bid. The first round of bidding set minimum annual lease rates at 6.5% of the 2014 appraised lot values and opened in June 2016.

Table 1. Summary of Bids on Vacant Cabinsites

Bidding Period	Minimum Bid Rate	Lots Posted	Bids Received	Average Bid Rate	Portion of Posted Lots Receiving Bids	Lots with More Than 1 Bid
Jun-Aug 2016	6.50%	76	6	7%	7.9%	0
Aug-Oct 2016	5.00%	63	2	5.15%	3.2%	0
Dec-Jan 2017	5% or 4.5%	58	5	5.60%	8.6%	0
Mar-May 2017	5% or 4.5%	62	4	4.78%	6.5%	0
Jun-Jul 2017	5% or 4.0%	65	12	4.60%	13.8%	3
Sep-Nov 2017	5% or 4.0%	38	6	4.46%	15.8%	1
Feb-Apr 2018	5% or 4.0%	43	5	4.25%	11.6%	0
July-Aug 2018	5% or 4.0%	37	3	4.36%	8.1%	0
Jan-Mar 2019	5% or 4.0%	32	3	5.99%	9.4%	0
Oct-Dec 2019	5% or 4.0%	34	2	4.00%	5.9%	0
Apr-Jun 2020	5% or 4.0%	34	5	4.52%	14.7%	1
Sept-Nov 2020	5% or 4.0%	28	7	4.64%	21.4%	1
Mar-May 2021	5% or 4.0%	25	23	5.84%	52.0%	8
Oct-Dec 2021	6.5%, 5% or 4.0%	14	11	6.35%	57.0%	2
Feb-Apr 2023	5% or 4.0%	10	4	4.75%	30.0%	1
October 2023	5% or 4.0%	8	1	5.00%	12.5%	0
Average over 16 Bidding rounds:		39	6	5.09%	16%	Total of 17

~bid rates lower than 5% only set for neighborhoods with >30% vacancy. Lots with no previous bidding cycles set at 6.5%

In the following rounds of bidding, the minimum bid rate was set at 5% for most sites, however minimum bid rates for sites in high-vacancy neighborhoods (more than 30% of lots vacant) continued at 4%. The rates and results are summarized in Table 1, and more detail is shown in Exhibit A. These bidding cycles spanned roughly seven years, encompassing 99 bids received.

Program Vacancy and Competitive Bidding Results

From October 2021 through October 2023, eight new leases were signed through the bidding process. The eight new leases produced in these three rounds of bidding, out of an average of 10 advertised sites, suggest an annual absorption rate of approximately 40%. Over the same time frame, two existing leases were terminated for non-payment or other reasons.

Active cabin site leases are billed according to four distinct lease types and fee calculation methods. At renewal or the start of a new lease, a financial review occurs after which contracts use the new lease template. The average lease rate across all active leases in 2023, when comparing 2023 contract rent with the 2022 appraised values, is 4.5%. Details are shown in Exhibit B, where the newest lease contract is referred to as “Compound Increase.”

Table 2. Neighborhood Bidding Summary

Neighborhood	2017 Report			2019 Report			2021 Report			2023 Report		
	Average Bid Received	Average Bid Amount	Count of Bids	Average Bid Received	Average Bid Amount	Count of Bids	Average Bid Received	Average Bid Amount	Count of Bids	Average Bid Received	Average Bid Amount	Count of Bids
Beaver Lake	5.0%	\$8,255	6							5.4%	\$9,810	2
Central Remote	8.0%	\$12,501	1									
E. Flathead Lake – Blue Bay	5.4%	\$2,667	3	5.0%	\$2,467	7	5.2%	\$3,268	7	6.6%	\$4,233	4
Echo Lake	4.4%	\$11,701	5	5.0%	\$14,730	3	5.7%	\$18,285	7	5.0%	\$14,600	1
Kalispell Remote	5.1%	\$6,000	1	5.0%	\$7,150	1						
Lincoln Flats	6.2%	\$2,601	2									
McGregor Lake	5.2%	\$15,050	1	4.0%	\$8,471	2	5.2%	\$12,290	18			
Morrell Flats										8.6%	\$2,706	3
Olney	6.8%	\$2,000	1									
Plains Remote							7.1%	\$2,177	2			
Rogers Lake	5.2%	\$6,410	6	4.1%	\$6,260	4	4.2%	\$7,260	3	4.3%	\$7,615	6
Stillwater/Libby Remote	6.1%	\$2,235	3									
Grand Total	5.4%	\$6,964	29	4.6%	\$6,505	17	5.3%	\$10,763	37	5.9%	\$6,560	16

The cumulative results of new competitive bidding since the new leasing rules were set are consistent with the ideal market lease rates identified in recent studies of the market for residential lease sites. The most recent study of Montana cabin sites found the true full market lease rate should fall between 4.9% and 8.6% (Bioeconomics 2015.)

Data from non-family transfers of improvements on active leases since the 2015 rate analysis (Bioeconomics, Cabin Site Lease Rate Valuation Analysis: 2015 Addendum to 2011 Report, 2015) were analyzed using the same model as the 2015 report. The sale price received by lessees for their improvements was compared to the MT Department of Revenue’s assessed value of the improvements (details are shown in Exhibit C). A wide range of differences are found, with some selling under value and some gaining a profit (Leasehold Value) over the assessed value. The Leasehold Value is used in calculating what a full market lease rate would be. From 2015 – 2017 this implicit lease rate averaged 5.75% and from October 1, 2017 - September 30, 2019, averaged 5.73%. Over the current report period of October 2021 – October 2023 the implicit lease rate averaged 11.33% for non-family lease transfers. This is a bit higher than the top of the range of full market rates identified by Bioeconomics (2011 and 2015 update). The small sample size for this update, and the remaining number of vacant sites receiving no bids, suggests this data point is not strong enough evidence to push the current 5% minimum rate higher for the near future.

Table 3. Implicit Market Lease Rate: Nonfamily lease transfers, October 2017 – October 2023

Year	Average Implied Market Lease Rate	Non-family Transfers of Leases with Improvements
2017 October-December	3.62%	7
2018	6.23%	12
2019 to September	6.52%	15
Oct 2019 – Oct 2021	8.28%	16
Oct 2021 – Oct 2023	11.33%	5
2017-2023 Average/Total	7.2%	55

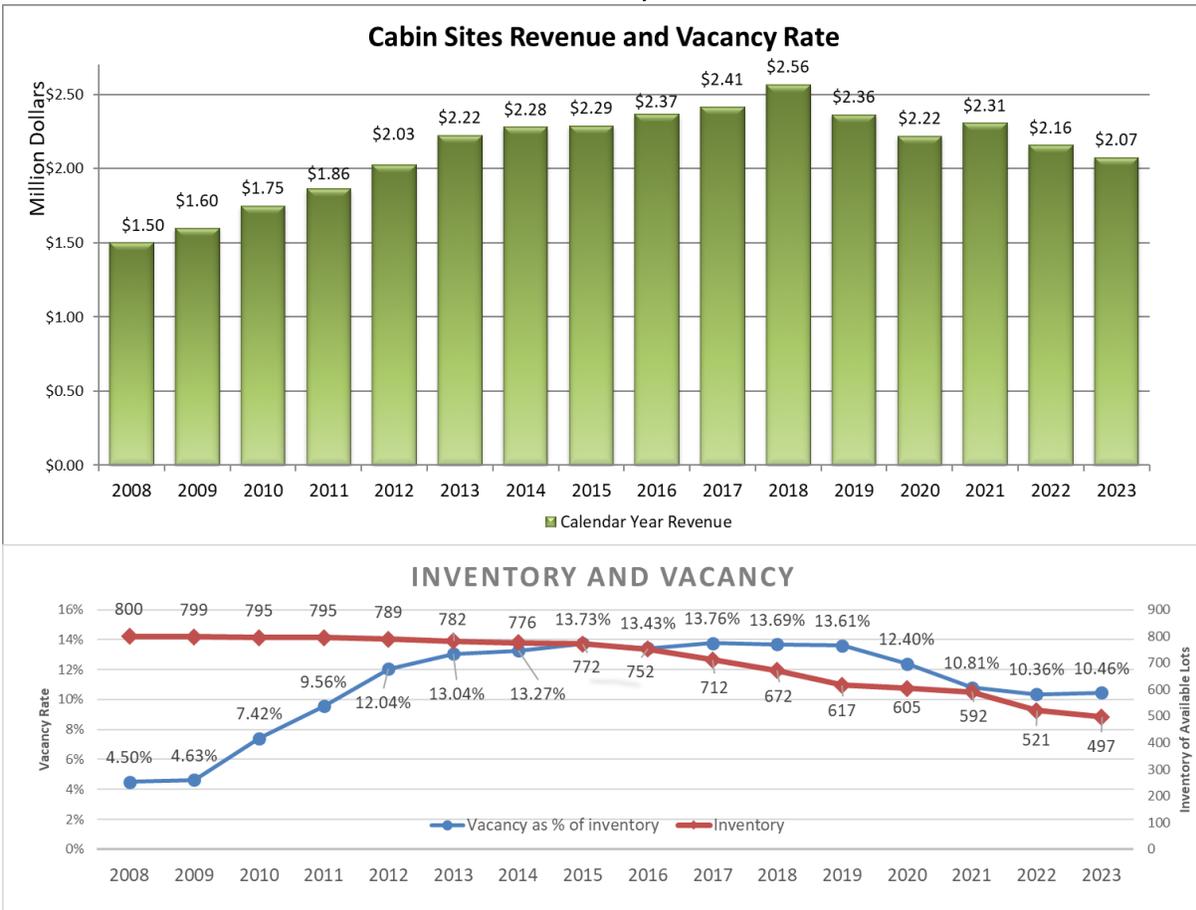
Assuming ongoing rounds of competitive bidding continue to produce similar results, the vacancy rates in most neighborhoods should fall over the next 1-2 years. However, the legislatively mandated cabin site sales program is reducing the inventory and as DNRC divests of active lease sites, this effectively pushes the vacancy percentage higher in neighborhoods with multiple sales. Given these opposing effects on vacancy rates, it may be several more years before the leasing program reaches some form of equilibrium vacancy rate. Table 4 shows a simple comparison of statewide vacancy data from June 2016 to September 2023 and illustrates the effect selling active leases has on countering the new leasing activity to hold vacancy rates high when compared to the working inventory.

Table 4. Total Working Cabin Site Inventory and Sales/Vacancy Rate

	Active	Vacant	Working Inventory	Sold	Vacancy Rate
June 2016	654	106	760	39	13.95%
September 2017	614	98	712	71	13.76%
September 2019	534	83	617	162	13.45%
September 2021	499	64	563	204	11.4%
September 2023	445	52	497	285	10.46%

The effective vacancy rate has hovered just over 10% for the last three years. Chart 2 illustrates that the higher vacancy rate over 13% had not resulted in falling revenues through 2018. The increased number of sold sites finally grew to the point that calendar year 2019 shows a drop in cabin site lease revenues over the prior year, and lease revenues in 2022 and 2023 have trended downward due to the lost revenue from Cabin Site sales.

Chart 2. Cabin Sites 14 Year Revenue and Vacancy Rate



During the years prior to the settlement in 2015, competitive bidding occurred with a minimum bid of 5% and relatively few new leases were signed. Results from calendar year 2012 through October 2023 are provided in Table 5. Bidding activity for cabin sites on state land has fluctuated, with the 2023 data through October indicating a strong market at a slowing pace. While the strong housing market likely played a part in the increased bidding activity, the change may also be due to a measure of stability returning to the leasing program since reaching the final 2015 settlement agreement.

Table 5. Competitive Bidding 2012-2023

Bidding Period	Minimum Bid Rate	Competitively Bid Leases Signed
2012	5.00%	6
2013	5.00%	6
2014	5.00%	2
2015	5.00%	4
2016	5.00%	8
2017	5.00%	18
2018	5.00%	7
2019	5.00%	3
2020	5.00%	9
2021	5.00%	11
2022	5.00%	6
2023	5.00%	2
Total over Calendar Years 2012-2023:		82

Conclusion and Recommendation

The results of competitive bids received (average 5.99% for October 2021 – October 2023, and average 5.08% for the life of the bidding program from 2015 to October 2023) and of sales of improvements through non-family lease transfers (mean implicit market rate of 7.18% over seven years, trending upward in the last 4 years) are indicative of a market for cabin site leasing which can continue to support a 5% or higher lease rate. High vacancy (greater than 30%) neighborhoods persist and there are still vacant sites which have received no bids through several rounds of bidding.

DNRC recommends continuing to hold minimum bids for vacant sites in low-vacancy neighborhoods at or above 5%.

Qualifications

This report was produced by DNRC’s Trust Lands Economist, Brett Holzer (MS Applied Economics, Montana State University 2005.) Mr. Holzer has worked in the Real Estate Management Bureau of the Trust Lands Division since 2008.

References

Bioeconomics, I. (2011). *Cabin Site Lease Rate Valuation Analysis*.

Bioeconomics, I. (2015). *Cabin Site Lease Rate Valuation Analysis: 2015 Addendum to 2011 Report*.

Exhibit A: Results of Competitive Bidding for Cabin Sites

4%-6.5% MINIMUM BID RATES based on neighborhood vacancy						
Bidding: Opened October, 2021 – Closed December 2, 2021						
Lease Number	Unit	Neighborhood	Minimum Bid and Rate	Actual Bid Rate	Bid Amount	Improvements
3053273	KU	E Lake Shore Flathead - Lot 21	6.5%; \$4,086.94	6.50%	\$ 4,087	None
3053274	KU	E Lake Shore Flathead - Lot 22	6.5%; \$4,043.78	6.66%	\$ 4,144	None
3053306	KU	E Lake Shore Flathead - Lot 23	6.5%; \$4,301.18	6.50%	\$ 4,302	None
		E Lake Shore Flathead - Lot 23	6.5%; \$4,301.18	6.65%	\$ 4,401	None
3051974	KU	Echo Lake - Lot 4	5%; \$14,600	5.00%	\$ 14,600	Yes -- Private
3060936	CLW	Morrell Flats - Lot 3	6.5%; \$2035.35	7.70%	\$ 2,412	None
		Morrell Flats - Lot 3	6.5%; \$2035.35	11.18%	\$ 3,500	
		Morrell Flats - Lot 3	6.5%; \$2035.35	7.05%	\$ 2,207	
3052258	KU	Rogers Lake - Lot 27	4%; \$7,820.80	4.10%	\$ 8,021	Yes -- Trust
3052572	KU	Rogers Lake - Lot 2	4%; \$9,308	4.39%	\$ 10,208	None
3052842	KU	Rogers Lake - Lot 30	4%; \$5,672	4.16%	\$ 5,901	None
Average Bid Rate: 6.35%						

4%-6.5% MINIMUM BID RATES based on neighborhood vacancy						
Bidding: Opened April 2023 – Closed June 2023						
Lease Number	Unit	Neighborhood	Minimum Bid and Rate	Actual Bid Rate	Bid Amount	Improvements
3052106	STW	Beaver Lake - Lot 2	5%; \$9,120	5.76%	\$ 10,500	None
		Beaver Lake - Lot 2	5%; \$9,120	5.00%	\$ 9,120	None
3052766	KU	Rogers Lake - Lot 21	4%; \$6,080	4.26%	\$ 6,480	Yes -- Private
3052842	KU	Rogers Lake - Lot 30	4%; \$6,080	4.00%	\$ 6,080	None
Average Bid Rate: 4.75%						

4%-5% MINIMUM BID RATES based on neighborhood vacancy						
Bidding: Closed October 2023						
Lease Number	Unit	Neighborhood	Minimum Bid and Rate	Actual Bid Rate	Bid Amount	Improvements
3052627	KU	Rogers Lake - Lot 15	5%; \$9,000	5%	\$ 9,000	Yes -- Private
Average Bid Rate: 5%						

Exhibit B: Summary of DNRC Cabinsite Lot Values and 2023 Rents as a Percent of Lot Value

Row Labels	Billing Method								Total Average 2022 Value	Total 2023 Rent - Avg Percent of Lot Value
	Alt. 3b		Appraisal		Compound Increase		Fixed Amount			
	Average 2022 Value	2023 Rent - Avg Percent of Lot Value	Average 2022 Value	2023 Rent - Avg Percent of Lot Value	Average 2022 Value	2023 Rent - Avg Percent of Lot Value	Average 2022 Value	2023 Rent - Avg Percent of Lot Value		
Central	\$86,132	4.3%			\$246,646	2.8%			\$162,567	3.6%
Central Remote	\$86,132	4.3%			\$246,646	2.8%			\$162,567	3.6%
Eastern	\$10,944	2.9%			\$26,207	7.6%	\$4,079	19.6%	\$13,573	5.8%
Eastern Remote	\$10,944	2.9%			\$26,207	7.6%	\$4,079	19.6%	\$13,573	5.8%
Northeastern	\$31,482	3.5%	\$33,370	2.3%	\$41,794	13.7%	\$20,539	4.3%	\$34,877	7.7%
Northeast Remote	\$31,482	3.5%	\$33,370	2.3%	\$41,794	13.7%	\$20,539	4.3%	\$34,877	7.7%
Northwestern	\$234,896	4.2%	\$71,520	4.3%	\$156,466	3.6%	\$138,700	0.6%	\$162,595	3.6%
Ashley Creek					\$87,120	2.6%			\$87,120	2.6%
Beaver Lake	\$441,960	3.3%			\$285,497	4.1%			\$305,055	4.0%
E Lake Shore - Flathead	\$261,508	6.3%	\$71,520	4.3%	\$192,822	4.3%			\$193,587	4.5%
Echo Lake	\$426,448	3.6%			\$431,376	3.6%			\$430,390	3.6%
Fishtrap Creek	\$42,542	1.4%			\$47,333	3.1%			\$46,135	2.6%
Kalispell Remote	\$131,814	5.0%			\$137,261	3.0%	\$138,700	0.6%	\$136,064	3.3%
Libby Creek					\$56,250	4.5%			\$56,250	4.5%
Mcgregor Lake					\$322,291	4.2%			\$322,291	4.2%
Mudd Creek	\$38,329	1.3%			\$40,078	4.1%			\$39,953	3.9%
Olney Region					\$66,410	3.4%			\$66,410	3.4%
Plains Remote					\$46,877	3.1%			\$46,877	3.1%
Rogers Lake	\$224,000	6.2%			\$228,235	3.6%			\$227,789	3.8%
Stillwater-Libby Remote					\$67,988	3.4%			\$67,988	3.4%
Thompson Creek	\$31,450	2.2%							\$31,450	2.2%
Southern	\$68,434	4.7%			\$41,407	4.5%	\$2,208	36.2%	\$42,893	7.7%
Southern Remote	\$68,434	4.7%			\$41,407	4.5%	\$2,208	36.2%	\$42,893	7.7%
Southwestern	\$86,968	6.0%	\$83,563	3.4%	\$120,904	4.3%	\$28,332	9.4%	\$114,565	4.6%
Clearwater River Eastside	\$83,412	3.3%	\$85,739	3.5%	\$85,726	4.2%			\$85,534	4.1%
Clearwater River Westside	\$83,169	4.4%			\$87,197	5.4%			\$86,190	5.1%
Copper Creek - Lincoln Area	\$42,293	7.7%			\$43,550	5.2%			\$43,340	5.6%
Elbow Lake					\$112,739	5.9%			\$112,739	5.9%
Fish Creek	\$79,671	2.0%			\$57,717	2.1%	\$50,667	1.6%	\$59,026	1.9%
Grant Creek					\$388,179	1.3%			\$388,179	1.3%
Landers Fork					\$46,372	4.8%			\$46,372	4.8%
Lincoln Flats - Lincoln Area					\$44,694	5.2%			\$44,694	5.2%
Morrell Creek East					\$21,361	5.6%			\$21,361	5.6%
Morrell Creek West					\$30,729	6.9%	\$19,034	4.2%	\$22,932	5.1%
Morrell Flats					\$82,963	2.6%			\$82,963	2.6%
Placid Lake					\$496,550	3.5%			\$496,550	3.5%
Seeley Lake Development			\$79,212	3.1%	\$100,954	3.0%			\$99,809	3.1%
Seeley Lake East Outlet	\$136,671	7.4%			\$120,350	4.0%			\$121,982	4.4%
Seeley Lake North					\$88,159	3.1%			\$88,159	3.1%
Seeley Lake West Outlet	\$126,773	6.7%			\$129,585	4.2%			\$128,960	4.8%
Southwest Remote					\$83,978	3.1%	\$2,259	35.4%	\$73,763	7.1%
Sperry Grade	\$91,553	6.7%			\$93,430	6.0%			\$92,577	6.3%
Grand Total	\$100,717	4.4%	\$64,825	3.2%	\$136,161	4.3%	\$31,660	10.6%	\$127,096	4.5%

Exhibit C: Non-Family Cabin Site Transfers, Oct 2021 - Oct 2023

Transfer Date	Neighborhood	Selling Price	Cadastral Value - Improvements	Leaseholder Value	Cadastral Land Value	Leaseholder Value / Land Value	Implied Market Lease Rate
8/26/2021	Rogers Lake	\$174,900	\$104,180	\$70,720	\$214,000	33.05%	4.85%
10/18/2021	Plains Remote	\$60,000	\$44,540	\$15,460	\$23,864	64.78%	17.70%
10/19/2021	Lincoln Flats - Lincoln Area	\$75,000	\$64,210	\$10,790	\$39,779	27.12%	7.68%
1/12/2022	Placid Lake	\$495,000	\$128,730	\$366,270	\$444,375	82.42%	17.76%
10/11/2022	Plains Remote	\$22,000	\$29,490	-\$7,490	\$26,731	-28.02%	3.55%

1223-7

INFORMATIONAL ITEM:
FY24 Real Estate Project List

**Land Board Agenda Item
December 18, 2023**

1223-7 INFORMATIONAL ITEM – FY24 REAL ESTATE PROJECT LIST

Location: Butte–Silver Bow, Cascade, Custer, Flathead, Gallatin, Granite, Lake, Lincoln, Missoula, Yellowstone

Trust Benefits: Common Schools, University of Montana, Pine Hills School, Public Buildings

Trust Revenue: N/A

Item Summary

The Forestry and Trust Lands Division (FTLD) is required to identify Real Estate Projects annually through a Project Identification Team (PIT) consisting of Real Estate Bureau and land office staff. The PIT must report their identified Real Estate Projects annually to land board per ARM 36.25.909(3)(a). According to the Real Estate Management Plan:

A Real Estate Project (Project) is a proposal to develop state trust land for a commercial, industrial, residential or conservation use, or a public facility where no such use existed previously, when one or more of the following are required by a local government: a) subdivision approval; b) annexation; or c) development or amendment of a growth policy or neighborhood plan. Real estate project also means the development of entitlements on state trust lands proposed for sale or exchange.

Ten of the nineteen Projects are currently generating annual revenue through commercial leasing, and one new Project has been added to the list.



FY24 REAL ESTATE PROJECT LIST

DNRC has identified the following Real Estate Projects in compliance with the agency's Real Estate Management Plan.

Real Estate Project	Description	Grant	Office	County	Acres	Urban/ Rural	Status
Amsterdam Road	Belgrade: Anticipated mixed use development; will require annexation and rezoning of parcel.	Common Schools	CLO	Gallatin	382	Urban	Active Project: Lease Option for entire 382 acres executed with Exit 298, LLC. FY23 Revenue: \$57,450 FY23 Easements: \$6,417,000
North Park - East and West	Bozeman: Commercial/industrial development.	Common Schools	CLO	Gallatin	178	Urban	Active Project: North Park East - 4 leases with Bozeman Trax Partners, LLC - Base Rent - \$231,344. Rent Credits for infrastructure still active. Infrastructure installation complete 3 rd quarter 2023 – waiting on City engineering certification for final approval of credits. North Park West (58+/- ac.) – appraisal completed 4/2023. RFP anticipated 1st quarter 2024. FY 23 Revenue: \$37,452
Fox Farm	Great Falls: Anticipated mixed use development; will require annexation and rezoning of parcel. A portion of the property fronts the Missouri River.	U of M	CLO	Cascade	90	Urban	Active Project: In FY20 the Department received a formal proposal for conservation in lieu of development from Missouri River Open Lands Preservation (MROLP). Proposed use is a public park easement to be held by Cascade County. The proposed easement area has been surveyed and was recently appraised at \$1,000,000. Fundraising efforts are underway by MROLP to fund easement cost.
Penwell Bridge	Belgrade: Anticipated commercial development; will require annexation and rezoning.	Common Schools	CLO	Gallatin	120	Urban	Active Project: In FY20, Lease option for Ten acres of the project area exercised – Lease executed on 10/01/2019 for a storage facility which is under construction. 1st year lease income of \$14,000. FY23 Revenue: \$15,082 FY23 Easements: \$1,831,245
Bull Pasture Subdivision	Miles City: Commercial/industrial development.	Pine Hills School	ELO	Custer	60	Urban	Active Project: One of five lots are currently under lease. FY23 Revenue: \$8,251
Spring Prairie Commercial Infill (Section 36)	Kalispell: Commercial/professional development.	Common Schools	NWLO	Flathead	530	Urban	Active Project: Lease development on Kalispell's Spring Prairie is ongoing. Currently there are 11 active leases on the section. FY23 Revenue: \$844,134
Cripple Horse Creek	Libby: Anticipated commercial recreation development adjacent to an existing commercial resort on Lake Koocanusa.	Public Buildings	NWLO	Lincoln	162.5	Rural	RFP released November 2022. Proposal received and under Department review.
Camp Ponderosa	Swan River State Forest: The purpose of the lease is for 'a veterans training and support center, with commercial facility rental and public camping capabilities.' The site is currently leased to NW MT Veterans Stand Down and Food Pantry.	Common Schools	NWLO	Lake	79.06	Rural	The lessees are seeking to pursue approval for the public campground through subdivision review with the Lake County Planning Office and County Commissioners. An RFP was released, and subsequent commercial lease was signed in 2018. All buildings were transferred to the lessee at lease signing. Currently on the property, there are three main buildings (lodge, administration building, and kitchen/dining facility), a shop, various outbuildings, fuel storage tanks, a wastewater treatment facility, groundwater wells, and 8 pads constructed for mobile home use. FY23 Revenue: \$20,350
Olney Crossroads	Olney: The purpose of the lease is 'for a	School	NWLO	Flathead	7.28	Rural	The lessees are seeking to pursue approval for the public campground

Real Estate Project	Description	Grant	Office	County	Acres	Urban/ Rural	Status
	year-round recreational equipment rental business, with associated facilities and improvements. Located at the intersection of Highway 93 and Upper Whitefish Road, the property is at one of the main entrances of the Stillwater State Forest. The proposed campground will require a lease amendment.	for Deaf & Blind					through subdivision review with the Flathead County Planning Office and County Commissioners. An RFP was released, and subsequent commercial lease was signed in 2019. The property was developed in 2019 and 2020 with an office/shop, accommodations for an employee, but did not allow for overnight accommodations for clients and/or guests. FY23 Revenue: \$4,039
Libby Creek/ Ponderosa Plantation	Libby: Anticipated residential development.	Common Schools	NWLO	Lincoln	120	Rural	Project pending market interest. A feasibility study resulted in a conceptual design for a residential subdivision with 2.5 acre lots. ROW issues to serve the property with a county road have been resolved. The county recently constructed a road through the property that could potentially serve residential development.
Libby Golf Club area lands	Libby: Anticipated residential development adjacent to the Libby Golf Club.	Common Schools	NWLO	Lincoln	640	Rural	Project pending market interest.
Libby area lands - Cabinet Range View	Libby: Anticipated low density residential development.	Common Schools	NWLO	Lincoln	800	Rural	Project pending market interest.
Libby area lands – Kooacanusa River View	Troy: Anticipated low density residential development.	Common Schools	NWLO	Lincoln	45.9	Rural	Project pending market interest.
Skyview Ridge Subdivision	Billings: Mixed use development including lease for commercial development as well as sale of residential parcels.	Common Schools	SLO	Yellowstone	285	Urban	Active Project: FY24 – RFP launched March 2023 – Small 11+ acre proposal for storage facility around substation. Option fees would generate approximately \$3,146.98. Once fully executed, the State Trust would receive approximately \$31,469.79. Currently in early preliminary discussions with two organizations as Master Developers to lease remaining parcel as a ground commercial lease. Discussions of selling the residential have occurred. Staff would either look at selling all single-family residential to developer or work with a Master Developer to lease. Questions of leasing single-family residential within ARM rules. Parcel is within City of Billings limits and mixed zoning, ranging from single-family residential, high density residential, and commercial. FY23 Revenue: \$26,950
Reserve Street	Missoula: Commercial/professional development on 2 lots.	Common Schools/ MSU	SWLO	Missoula	2.8	Urban	Active Project: Re-appraised 2023. Total value of both lots is \$2,690,000. Plan to release RFP Winter of 2023.
Philipsburg	Philipsburg: Commercial/residential development	Common Schools	SWLO	Granite	20	Urban	New Project: FY24 – Interest from developer in creating affordable workforce housing.

Real Estate Project	Description	Grant	Office	County	Acres	Urban/ Rural	Status
Butte Industrial Park	Butte: Commercial/industrial development.	Common Schools	SWLO	Butte-Silver Bow	350	Rural	Active Project: Adjacent to Butte Tax Increment Industrial Financing District (TIFID) near Rocker, MT. Inclusion of this property in a new Targeted Economic Development District (TEDD) to succeed the TIFID is being explored. Several active large businesses are presently on location in District. Inclusion of State Land into the TEDD would improve access and future industrial growth options. The state applied for a zoning request and was approved by Butte-Silver Bow County which is a requirement for inclusion into the TEDD. The TEDD inclusion process will be initiated in late 2023. There is continued interest is solar energy on the parcel.

Projects fully completed and under development at the end of FY 23.

Real Estate Project	Description	Grant	Office	County	Acres	Urban/ Rural	Status
Alaska Road	Belgrade: Commercial/industrial development.	Common Schools	CLO	Gallatin	3.3	Urban	Active Project: This property is under commercial lease for a McKenzie River Pizza, and two additional pad sites. FY23 Revenue: \$24,383
Lewis & Clark Subdivision	Bozeman: Commercial/industrial development.	Common Schools	CLO	Gallatin	28	Urban	Active Project: All lots at Lewis and Clark are under Lease. Development continues on Block 2, Lot 3 which will now include a gymnastics facility. Block 2, Lot 4 is under lease and pending final site plan approval for an additional hotel. FY23 Revenue: \$393,992