



MONTANA DEPARTMENT OF NATURAL
RESOURCES AND CONSERVATION

Information Sheet for
CABIN SITE LEASING

This Information Sheet is designed to provide answers to frequently asked questions about Cabin Site leases and the leasing program. Should there be a conflict between information provided here and any statute or rule, or contract language, the statute, rule, or contract will prevail.

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GENERAL INFORMATION

Authority: New leases are offered consistent with Administrative Rules of Montana (ARM) 36.25.1000 through 36.25.1015.

Purpose for Land Lease: The land is leased to generate revenue for Trust Beneficiaries for the funding of education and other institutions in the State of Montana. The state received land from the federal government through the Enabling Act in 1889, which, along with the Montana Constitution, provides direction that the trust lands must be managed to provide income and that the trusts be compensated full market value for any use of the land.

Permitted Use: Authorized use is strictly for residential purpose by the Lessee, and Lessee’s family and guests. No use contrary to the laws of the State of Montana or the United States are permitted under any circumstance. Use must comply with all federal, state, county, and municipal laws, ordinance, and regulations.

OBTAINING A CABIN SITE LEASE

Cabin sites are listed online on the DNRC website at www.dnrc.mt.gov/cabinsiteleasing. Please contact the local Lease Manager identified within each listing for questions on the leasing process, the lease itself, and/or to schedule a site visit.

Bidding: Unleased cabin sites are issued through a competitive bidding process. The available leases are posted on the DNRC website along with the bidding information, such as minimum bid amount and bid closing date. The minimum bid amount represents the minimum annual lease fee for the first lease year.

To submit a bid, interested bidders must mail in the completed bid form, along with a \$25 application fee, and a 10% bid deposit in the form of a cashier’s check. The amount bid will be the base rent for the first year’s lease fee. The winning bidder will be invoiced for their bid amount as prorated through the end of the first lease year (February 28), less their 10%

bid deposit. All other bidders will be refunded their bid deposit upon execution of the lease with the highest bidder. If the highest bidder fails to execute the lease within 60 days, they forfeit their bid deposit, and the Department may rebid the lease or award the lease to the next highest bidder.

Assignment: A current Lessee may transfer the lease to a new Lessee through an Affidavit of Assignment from the Department. There is no competitive bidding for an Affidavit of Assignment. Please see **Transferring a Lease** section on page 5 for more information on Assignments.

RENTAL FEES

The lease rental fee for cabin sites is based on the appraised value of the land as determined by the Department of Revenue (DOR). For this reason, lease fees vary greatly across the state based on land values for the lease area.

***Annual Rental for all leases issued after June 1, 2016:** The annual lease fee for the first lease year for a successful competitive bidder shall be their bid amount. Each year thereafter, for the first 15 years of the lease, the annual lease fee will increase by 2%. Every 15 years, or at lease renewal, the base lease fee will be adjusted. This adjustment will use the most current Department of Revenue value for the leased land, times a rate determined by the Land Board (currently 5%), to calculate the new base rent. Each year thereafter the rent will again increase annually by 2% until the next scheduled adjustment.

The rental for the first lease year will be a prorated amount from the Lease Start Date through February 28. The 10% bid deposit will be applied to the rental due for the first lease year.

Payment and Billing Schedule: The Lessee may choose to pay the annual lease fee in one annual payment, or two semi-annual payments. The first year lease fee is due upon issuance of the lease. For subsequent years, the lease fee is due on March 1 for annual payments, and both March 1 and September 1 for semi-annual payments.

Leases are billed annually in January for payment on March 1. Leases that are paid semi-annually are billed again in July for payment on September 1.

Late Fees: If the lease fee is not paid by the due date, a \$25 late fee is assessed. If payment with late fee is not received by April 1, the lease is automatically cancelled. The same applies to the second half payment for leases paid semi-annually; if payment with late fee is not received by October 1, the lease is automatically cancelled.

In some cases, a cancelled lease may be reinstated after payment of rental owed plus a \$500 reinstatement fee.

***Annual Rental for leases issued prior to 2016:** This section applies only to existing leases issued prior to 2016, and those leases that were acquired by way of an affidavit of assignment.

Leases issued prior to 2016 used a complex billing method referred to as "Alternative 3B" or "3B". The annual lease fee under 3B is a rate based on the Department of Revenue land value for the applicable lease from 2003, which is then increased annually between 3.25% and 6.5%. The exact annual increase is calculated by December prior to each billing year, based on real estate factors and the CPI from the previous year.

The Department can project the maximum and minimum lease fees for any lease through 2024 at any time upon request. In 2025, the Department will conduct an analysis of rental fees under the 3B method, as compared to the effective DOR land valuations available at the time to assess how near or far the rental fees are from 5% of the land value at that time. The lease fee will be adjusted accordingly, and a new rental projection will be provided to the Lessee. Under no circumstance will the lease fee be less than \$250 under 3B.

Alternative 3B is phasing out, and upon expiration, all leases are renewed under current rental terms as provided within [ARM 36.25.1001-36.25.1015](#).

LEASE INFORMATION

The following section covers frequently requested information about the lease terms. This is not a substitute for the language provided in the lease contract, and it does not cover every section. The executed lease document itself will serve as the contract between the Department and the Lessee.

Lease Start Date: The lease start date is typically within 60 days after the bid closing date.

Lease Year: The lease year is March 1 – February 28.

Lease Term: Cabin site leases are available for 15 year terms. The Department may provide a term greater than 15 years for loan security purposes with a written request from the mortgagee, for a maximum term of 35 years. All leases have an expiration date on the last day of February.

Renewal of Lease: In December of the year prior to expiration, the Lessee may apply to renew the lease. Cabin site leases are not subject to a competitive bid upon renewal. Any renewal would be issued on a new lease contract and would be issued under laws and rules effective at the time of renewal.

Forms Necessary: **Application for Renewal** – Cost: \$25.00
Review Timeline: Renewal completed by May of the expiration year.

Subleasing: Leases can be sublet for long-term (monthly or longer) single family residential use, upon department approval of a sublease application. Any subletting for short term and/or recreational activity for total rentals that exceed the annual lease fee in a given year is considered commercial activity and is not permissible. Any subletting must be consistent with local zoning.

Forms Necessary: **Sublease Application** – Cost: \$0.00
Review Timeline: Department review can take up to 30 days.

Noxious Weeds: The Lessee is responsible to keep the land free from noxious weeds at their own expense.

Road Maintenance: The Lessee is responsible for maintaining the access road to the leased premises. The Department does not provide road maintenance.

Public Use Restricted: Cabin site leases are categorically closed to the public under 77-1-804(3) MCA.

IMPROVEMENTS

Improvements are permanent structures and utilities upon the lease lot that are privately owned and taxable.

Installing Improvements: Improvements may be installed on the cabin site lease area upon approval by the Department. All plans for development, layout, construction, etc. must be approved by the Department before commencement of any work, including utility installation. Improvements and installation must follow all applicable laws, regulations, and permitting requirements.

Forms Necessary: **Improvements Request Application** – Cost: \$0.00
 Residential Site Plan Form – Cost: \$0.00
Review Timeline: Department review can take up to 60 days.

Taxes on Improvements: The Lessee shall pay all taxes, special assessments, levies, fees and other governmental charges that may be levied by any taxing or assessing authority upon the improvements and personal property owned by the Lessee upon the leased area. The value of the land is not taxed.

Utility Installation: The Lessee is responsible for any installation of facilities necessary to supply water, sewer, gas, electricity, telephone, or other like services desired by the Lessee. All costs related to the utility installation are the sole responsibility of the Lessee.

The cabin site lease grants the right to place necessary utility facilities within the lease premises and across specified adjacent state trust lands from the main utility to the lease area, upon approval by the Department. The Lessee is responsible for obtaining any necessary easement from private landowners for rights outside of state trust land.

Improvements Maintenance: The Lessee is responsible for maintaining all improvements to standards of repair, orderliness, neatness, sanitation, and safety.

Improvements Ownership: Improvements upon the lease area shall not be owned by any party other than the Lessee. Upon transfer of the lease through assignment, the improvements ownership must also be transferred. If, while the lease is active, the Lessee sells their improvements to a new Lessee, there are no restrictions on the sales price for the improvements. However, if the lease is not active, an incoming Lessee will only be required to reimburse the former Lessee the Department of Revenue value for the improvements. *

Upon lease cancellation or abandonment, the former Lessee must secure a Land Use License to either remove their improvements, or to maintain and market them, and must continue to pay taxes for the improvements. The former Lessee will have three years to either remove the improvements or transfer them to a new Lessee. Improvements are subject to reversion to the Department if: a) Lessee voluntarily abandons or transfers improvements to Department; or b) Three years have passed since cancellation or expiration of the Lease; or c) Lessee fails to pay taxes due for improvements upon the lease; or d) the improvements are condemned or otherwise deemed a hazard by any governing body that has the authority to do so.

The Department is under no obligation to compensate the Lessee for any improvements on the cabin site at any time.

**Unless an appraisal for the improvements has been contracted through the Department.*

Financing: A Lessee may secure financing for improvements upon the lease site. If the mortgagee requires documentation that assures control of the lease site should the mortgagor default, a Security Interest form is available. This form is an affidavit of assignment, whereby the mortgagor and mortgagee sign the form authorizing the transfer of the lease to the mortgagee, and the mortgagee keeps the original and sends the Department a copy. Should the mortgagee need to enforce the transfer, they would send the original to the Department for Department signature. Upon Department signature the transfer would be effective. A Security Interest on file also guarantees that the mortgagee would be notified if the lease is in default in any way, including late payment. To release a Security Interest, the mortgagee must send a release to the Department in writing. Additionally, a mortgagee may require that the lease term align with the term on the note. The Department may extend a lease term to be a maximum of 35 years upon written request by a mortgagee. An extension would be issued on a new lease form that is current as of the day of the request from the mortgagee.

Forms Necessary:	Security Interest Form – Cost: \$25.00
Review Timeline:	Department review is not required.

TRANSFERRING A LEASE

Assignment: In the event a current Lessee wishes to transfer the lease, they may request an Affidavit of Assignment from the Department. The improvements upon the site (buildings and utilities) must be transferred at assignment as well, through sale or otherwise. There is no competitive bidding for an Affidavit of Assignment. The Assignee (incoming Lessee) would assume the balance of the existing lease; all terms and conditions of the original lease remain in place and no new lease document is issued.

Assignments are subject to the approval of the Department and may be denied for outstanding lease violations, or payment default. All assignment requests require a physical inspection of the site by the Department, as well as proof that taxes have been paid, proof that the improvements have transferred, and the sales price.

Forms Necessary:	Affidavit of Assignment Form – Cost: \$25.00
Review Timeline:	Department review can take up to 60 days.

Assignment for Deceased Lessee: Cabin site leases may be issued to more than one person. In that instance, the Lessees must select if they wish to be “Joint Tenants” or “Tenants-in-Common”. If the Lessees are Joint Tenants, then the lease automatically passes to the surviving Lessee(s). A copy of the death certificate is required to remove the deceased from the lease.

If the Lessees are Tenants in Common, then the surviving Lessee retains their interest in the property, separate from the deceased. The interest in the property that was held by the deceased does not terminate upon his or her death. In this case, or in the case of an individual Lessee, a personal representative must act on behalf of the deceased with regard to their interest in the lease. The person who was appointed as personal representative of the estate of the Lessee must provide documentation of their appointment to act in the capacity of personal representative for the Lessee and provide a copy of the Lessee's death certificate. The personal representative must sign the assignment form, as they are acting on behalf of the deceased Lessee.