

AGENDA
REGULAR MEETING OF THE BOARD OF LAND COMMISSIONERS
August 23, 2021, at 9:00 a.m.
State Capitol, Room 303
Helena, MT

ACTION ITEMS

- 0821-1** **Cabin and Home Sites: Final Approval for Sale** **APPROVED 4-1**
Benefits: University of Montana **Commissioner Downing Opposed**
Location: Gallatin County
- 0821-2** **Easements:** **APPROVED 5-0**
Benefits: Common Schools, Public Land Trust – Nav. River
Location: Garfield, Hill, Ravalli, Rosebud, and Yellowstone Counties
- 0821-3** **Informational Item: FY22 Real Estate Project List**
Benefits: Common Schools, University of Montana, Pine Hills, Public Buildings
Location: : Butte-Silver Bow, Cascade, Custer, Flathead, Gallatin, Lincoln, Missoula, and Yellowstone Counties

PUBLIC COMMENT

0821-1

CABIN AND HOME SITES:
FINAL APPROVAL FOR SALE

**Land Board Agenda Item
August 23, 2021**

0821-1 Cabin and Home Sites: Final Approval for Sale

Location: Gallatin County
Trust Benefits: University of Montana
Trust Revenue: \$270,500

Item Summary

The Department of Natural Resources and Conservation (DNRC) is requesting final approval for sale of one (1) home site nominated for sale in Gallatin County. This sale was nominated by the lessee in conjunction with the Cabin and Home Site Sale Program.

Sale No.	Acres	Legal Description	Nominator	Trust
1117	5.00±	Tract 1, COS 2955, Section 8, T1S-R4E	Michele Koenig & Brett Steinmann	University of Montana

The parcel is currently leased as a home site and produces an average income for residential leases statewide. The parcel will be sold with the access that is currently provided under the lease agreement and can be conveyed by DNRC.

Background

Preliminary Land Board approval was granted in April of 2020 (Approved 5-0), and the Land Board set the minimum bid for the land and the maximum value of compensation for the improvements at the appraised values in March of 2021 (Approved 4-1).

Cultural/Paleontological Resources:

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

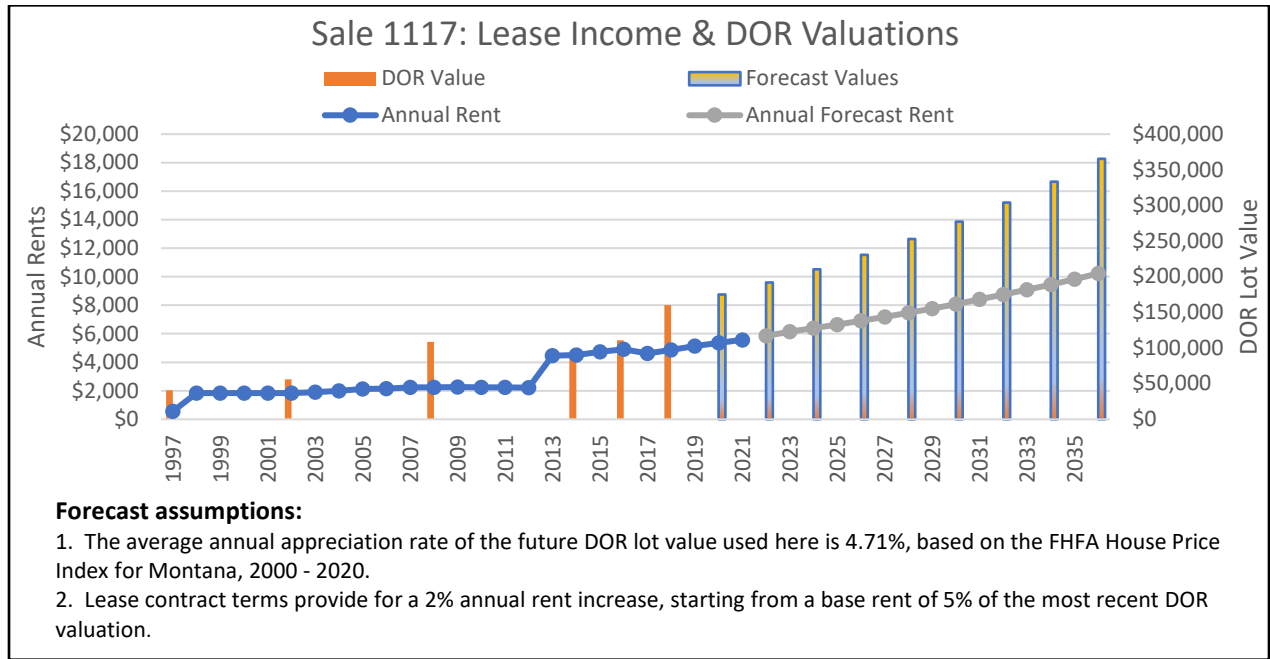
Access/Recreational Use:

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 three-year average net lease income on this parcel is \$3,973, and the average rate of return on this sale parcel is 1.469%. The income rate of return will likely grow smaller over the next 20 years, as average annual value appreciation is more than double the annual rent increase, as shown in Figure 1.

Figure 1: Review of Past Income and Values, and Forecast Income and Values



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 2.91% on acquisitions, with income generated from annual lease payments. However, the rates of return on land acquired more recently have been higher, ranging from 3.54% on acquisitions purchased within the last three years to 3.21% 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

	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 3 years	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	1.469%	2.91%	3.54%	3.16%	3.21%
Derived Lot Value	\$270,500	\$136,558	\$112,256	\$125,755	\$123,796

Appraised Values of Land and Improvements:

The appraisal was prepared by Montana General Certified Appraisers Elliott M. Clark, MAI, of Clark Real Estate Appraisal in Whitefish and Sandra S. Kennedy, MAI, of Kennedy Real Estate Appraisal in Bozeman.

Sale No.	Appraised Land Value	Appraised Improvements Value	Final Sale Price
1117	\$270,500	\$207,900	\$270,500

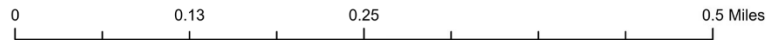
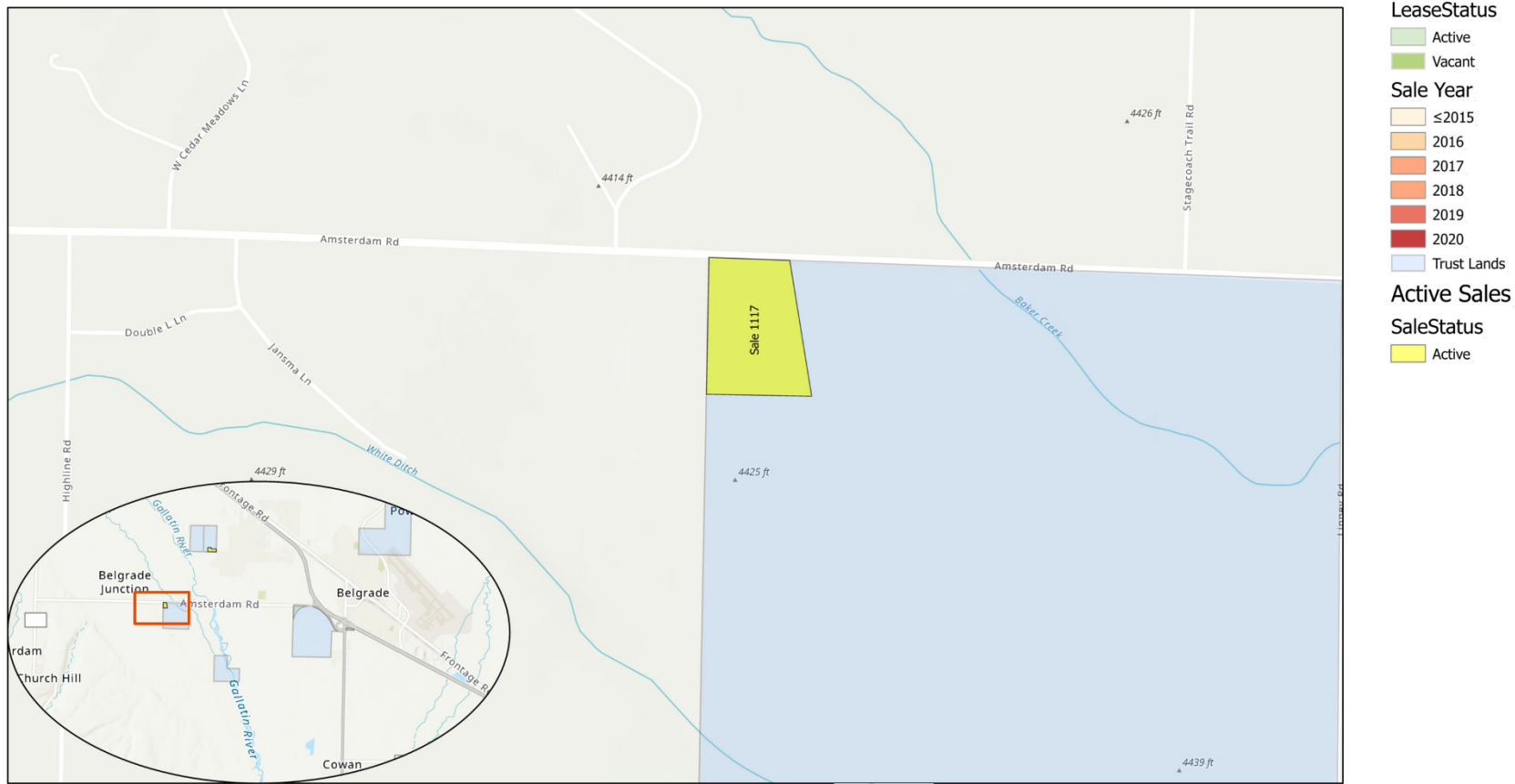
Sale Price

The home site sold at public auction on June 15, 2021. DNRC received a bid deposit from one qualified bidder for the sale who was the current lessee. The site sold for the final sale price listed above.

DNRC Recommendation

The director recommends the Land Board grant final approval for the sale of this home site at the value shown above.

Amsterdam Road, Gallatin County



Trust Lands Cabin Site Sales
Map Created by REMB staff
February 2021

0821-2

EASEMENTS:

**Land Board Agenda Item
August 23, 2021**

0821-2 Easements

Location: Garfield, Hill, Ravalli, Rosebud, Yellowstone

Trust Benefits: Common Schools, Public Land Trust - Nav. River

Trust Revenue: Common Schools = \$7,666
Public Land Trust = \$1,725

Item Table of Contents

Applicant	Right-of-Way Purpose	Term	Page(s)
Northwestern Corporation	Buried 6" Natural Gas Pipeline	30-year	13-14
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Dominic and Elias Murnion	Private Access Road	Permanent	17-18
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Montana Department of Transportation	Highway Construction and Maintenance	Permanent	21-22

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	NorthWestern Corporation 11 East Park St. Butte, MT 59701
Application No.:	19121
R/W Purpose:	a buried 6" natural gas pipeline
Lessee Agreement:	N/A (Nav. River)
Acreage:	0.11
Compensation:	\$1,625.00
Legal Description:	20-foot strip across the Bitterroot River in the NW4SW4, Sec. 22, Twp. 9N, Rge. 20W, Ravalli County
Trust Beneficiary:	Public Land Trust - Nav. River

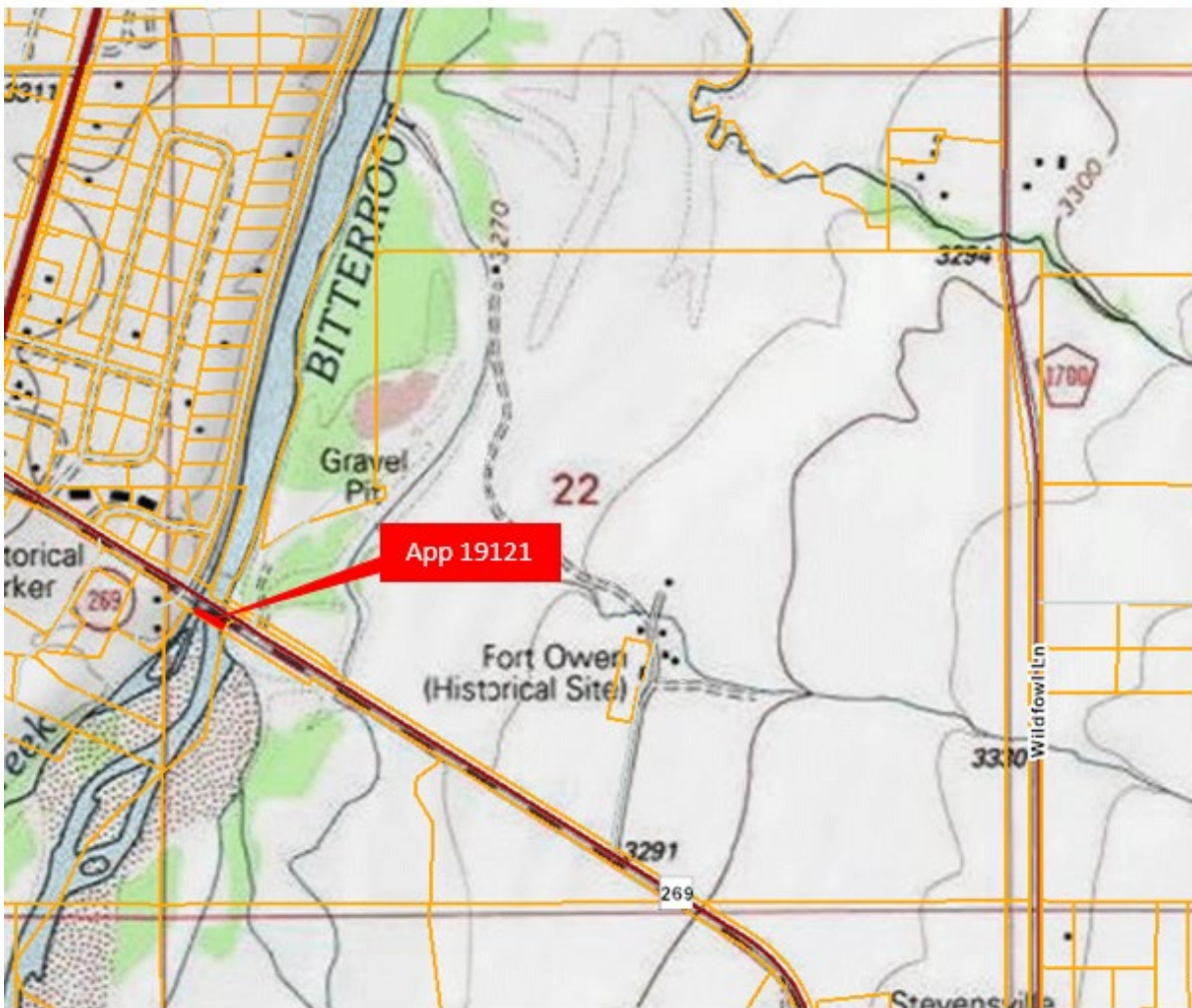
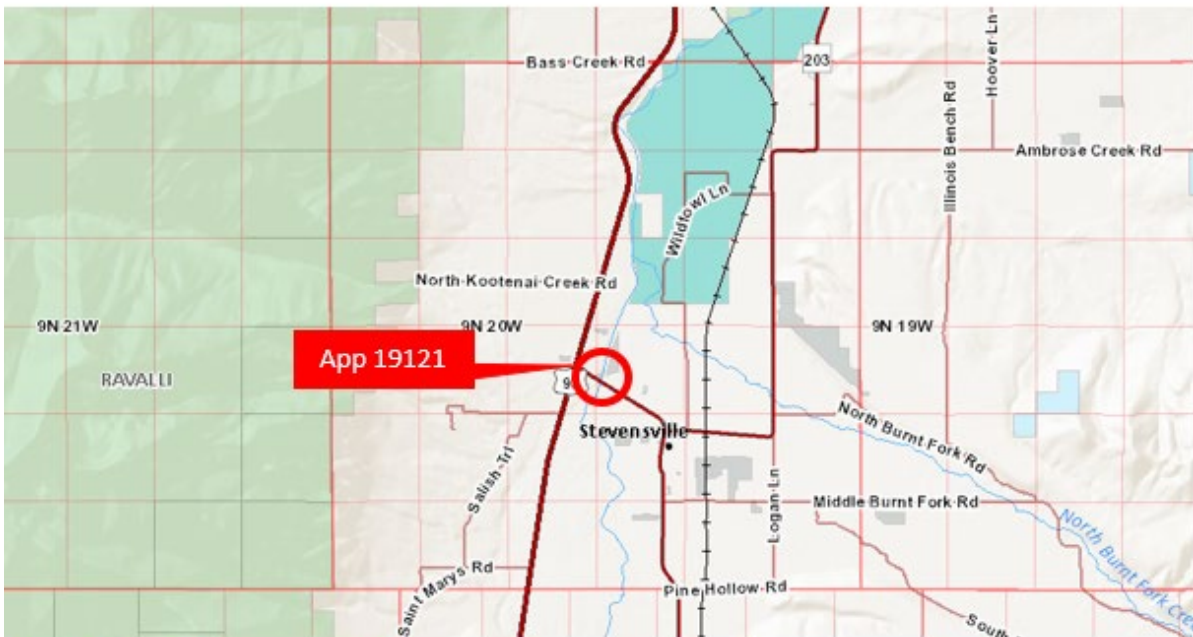
Item Summary

NorthWestern Corporation is requesting an easement under the bed of the Bitterroot River for the purpose of relocating a 6" natural gas pipeline. Currently, this pipeline is suspended on the Stevensville Bridge. Due to the high density traffic over the bridge it is increasingly difficult for NorthWestern to perform maintenance on the pipeline to meet current industry standards and compliance with Dept. of Transportation regulations regarding such maintenance become environmentally issues when done over a waterway. The pipeline will be directionally bored under the river to a depth of 15 feet, which is twice the estimated scour depth.

DNRC Recommendation

The director recommends approval of the easement request by NorthWestern Corporation.

R/W Application 19121



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	ExxonMobil Refinery PO Box 1163 Billings, MT 59103-1163
Application No.:	19122
R/W Purpose:	a buried water pipeline
Lessee Agreement:	N/A (Nav. River)
Acreage:	0.05
Compensation:	\$100.00
Legal Description:	tract of land in the Yellowstone River adjacent to Gov. Lot 5, Sec. 24, Twp. 1N, Rge. 26E, Yellowstone County
Trust Beneficiary:	Public Land Trust - Nav. River

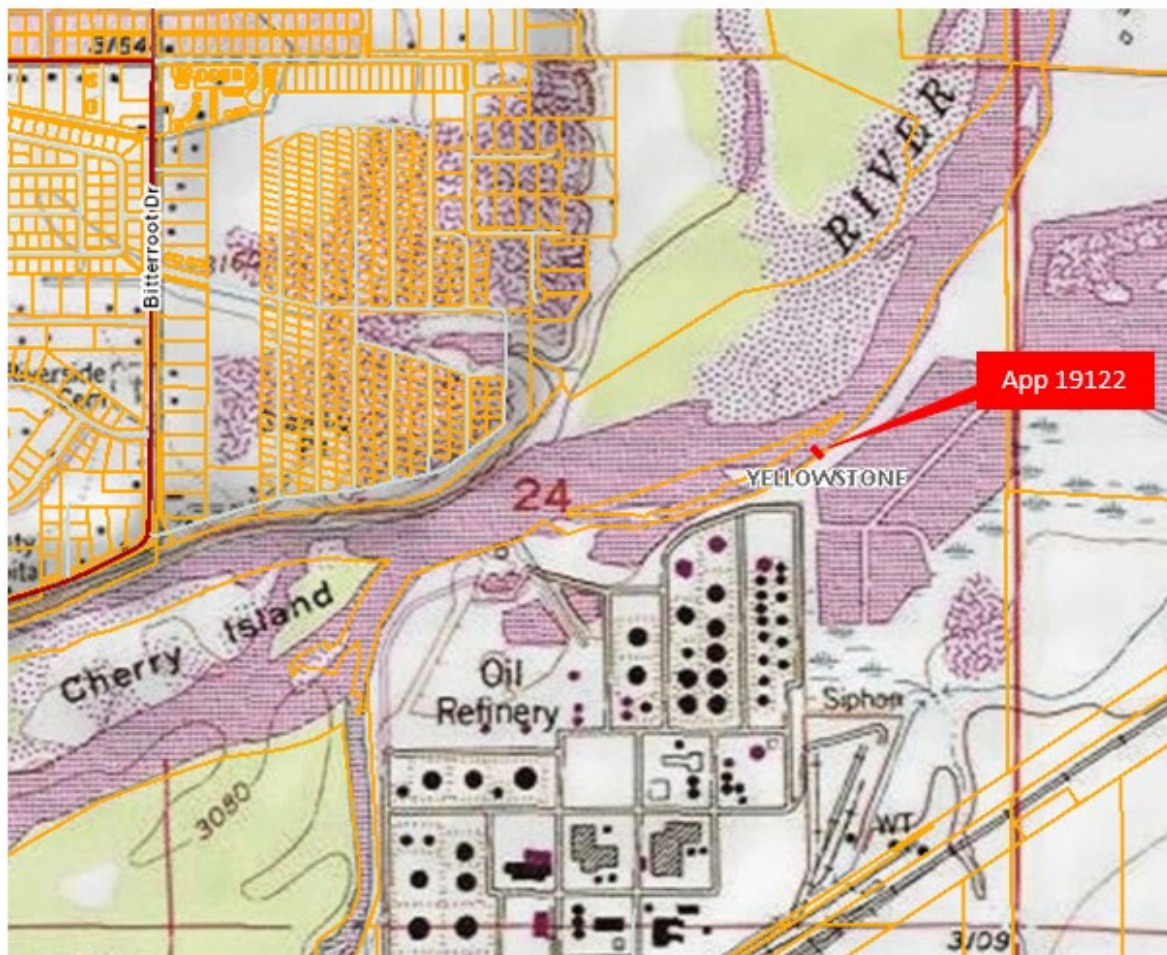
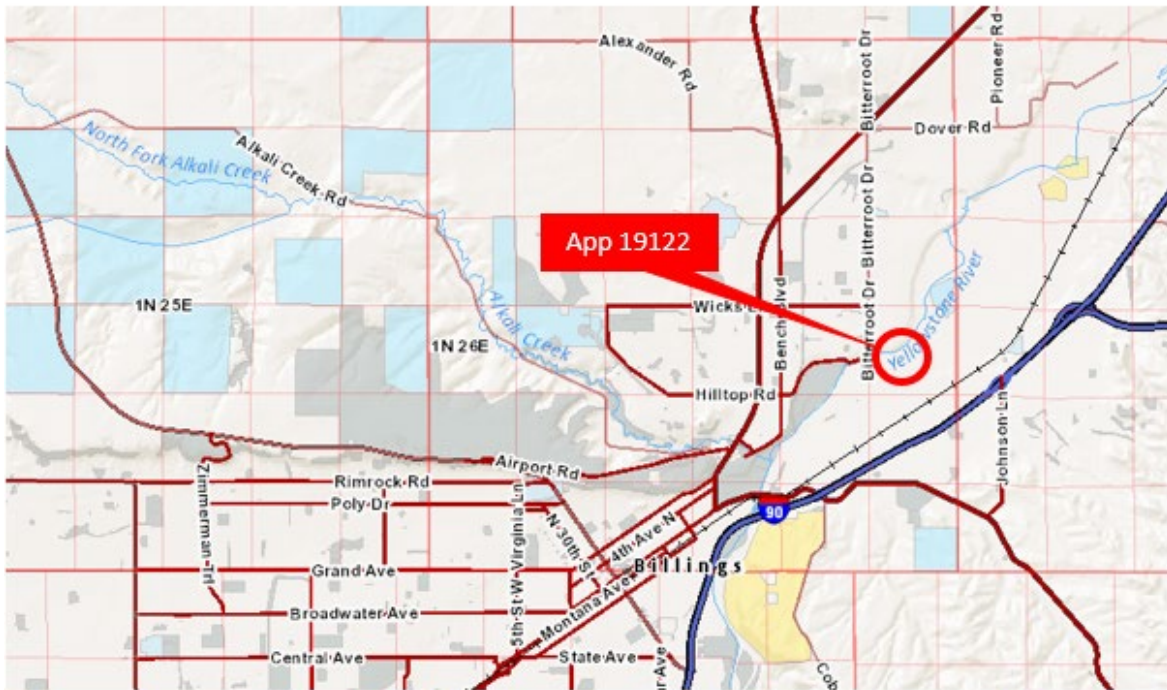
Item Summary

ExxonMobil Refinery has made application to authorize an existing outfall pipe in the Yellowstone River associated with their sediment basins. The original pipeline was installed decades ago and due to more modern technology, the pipeline was replaced under a Land Use License issued in 2020. The replacement project consisted of installing two concrete anchors in the riverbed with steel structures to support the pipe. The pipe will sit mainly above the water except during high water events when ExxonMobil is allowed to discharge from the sediment ponds. The area requested is a 30' x 60' foot tract which will allow for routine maintenance without requiring additional permitting from DNRC.

DNRC Recommendation

The director recommends approval of the easement for ExxonMobil Refinery.

R/W Application 19122



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Dominic and Elias Murnion
 PO Box 115
 Cohagen, MT 59322

Application No.: 19126
 R/W Purpose: a private access road for the purpose of conducting normal farming and ranching operations

Lessee Agreement: N/A (Historic)
 Acreage: 1.17
 Compensation: \$527.00
 Legal Description: 30-foot strip through N2SE4, SE4NE4, Sec. 16, Twp. 11N, Rge. 44E, Rosebud County
 Trust Beneficiary: Common Schools

Item Summary

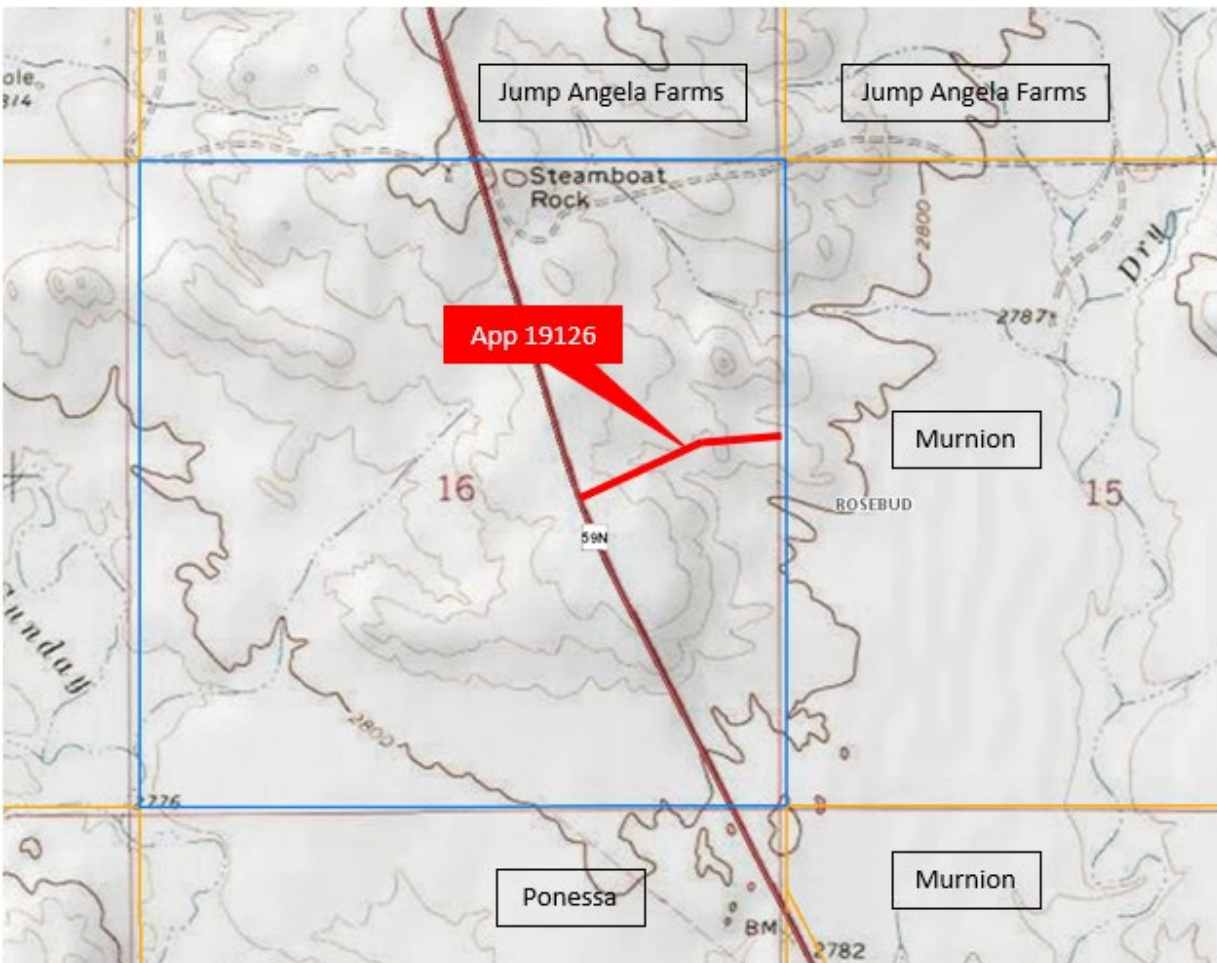
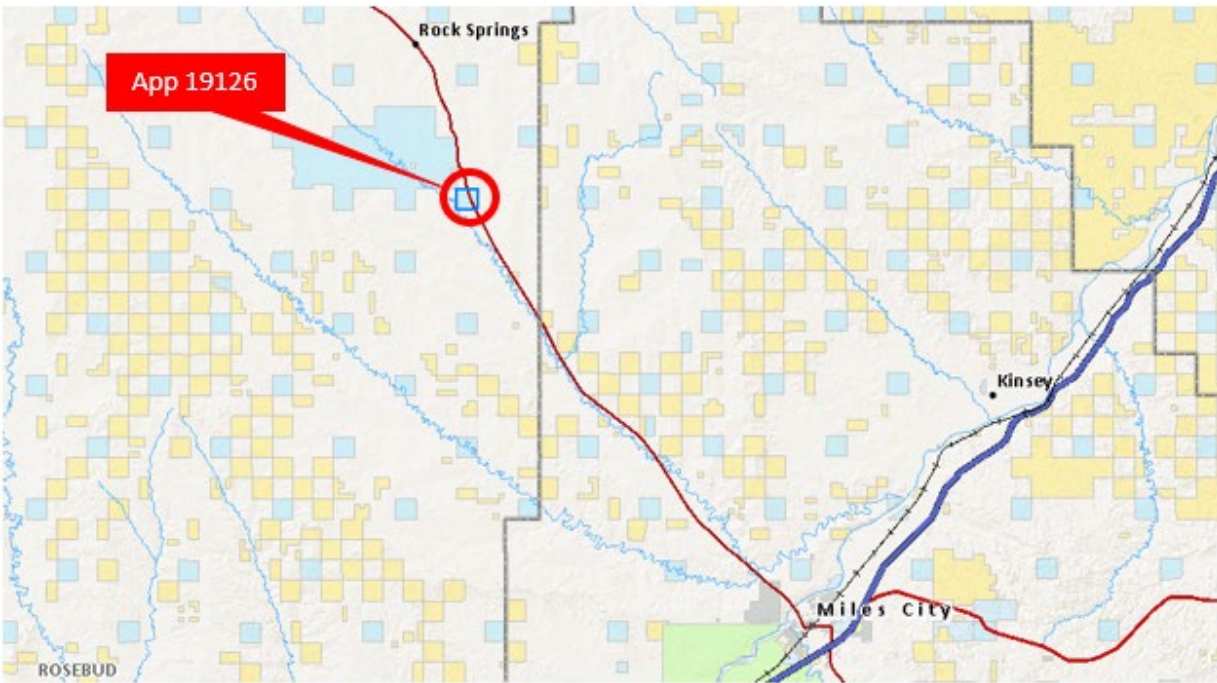
Dominic and Elias Murnion have made application for the use of an existing road to conduct normal farming and ranching operations. The road has been in place for many years and authorization for continued use is being requested pursuant to §77-1-130, MCA, which allows for recognition of such historic access. The State Land is legally accessible by means of Montana Highway 59N, and therefore reciprocal access is unnecessary. The private property of applicant to be accessed is described as:

- All: Sec. 14, Twp. 11N, Rge. 44E, Rosebud County
- All: Sec. 15, Twp. 11N, Rge. 44E, Rosebud County

DNRC Recommendation

The director recommends approval of the application of Dominic and Elias Murnion.

R/W Application 19126



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Iofina Resources, Inc.
8480 East Orchard Road, Suite 4900
Greenwood Village, CO 80111-2912

Application No.: 19128
R/W Purpose: a buried 12" brine water pipeline
Lessee Agreement: ok
Acreage: 2.73
Compensation: \$3,003.00
Legal Description: 30-foot strip through W2NE4, SE4NE4, NE4SE4, Sec. 14,
Twp. 35N, Rge. 11E, Hill County
Trust Beneficiary: Common Schools

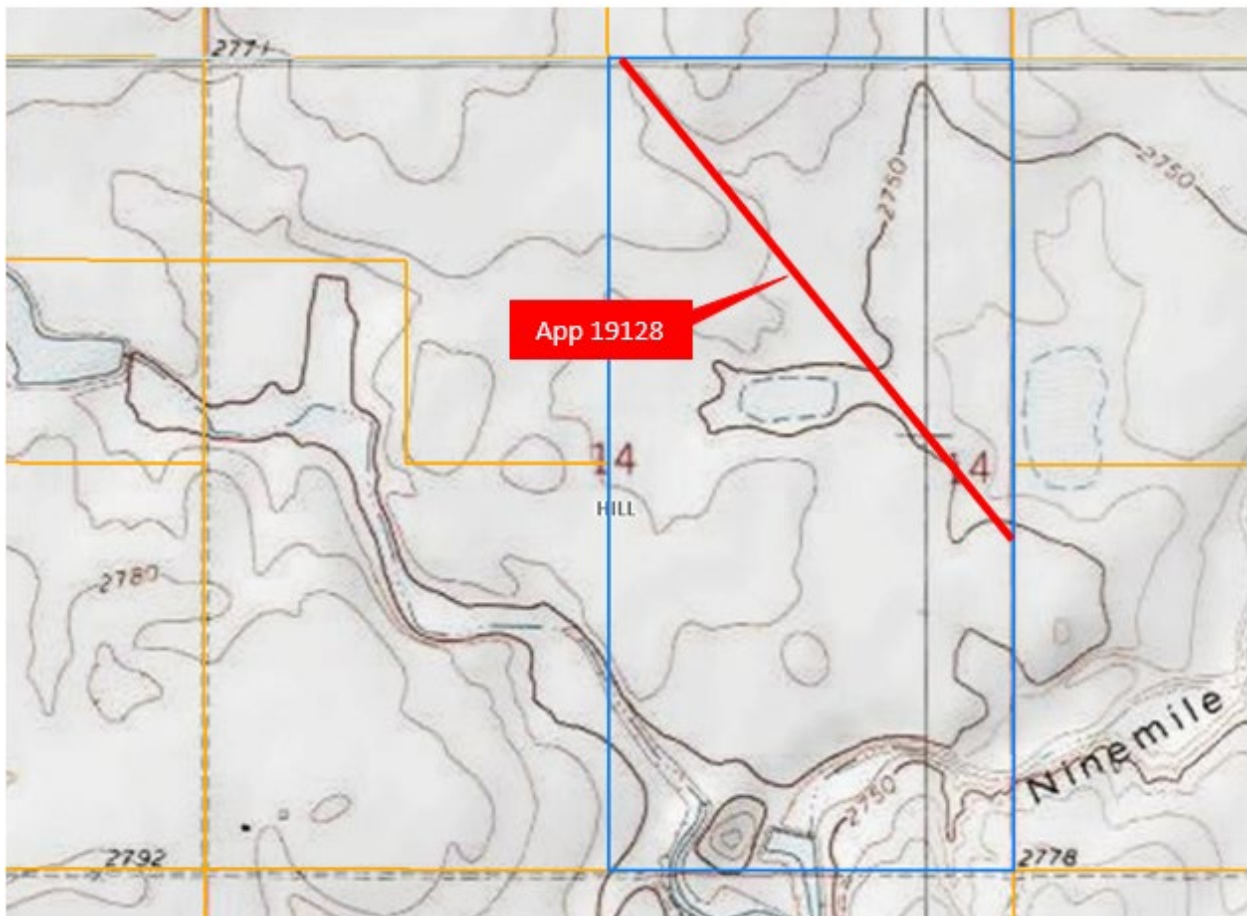
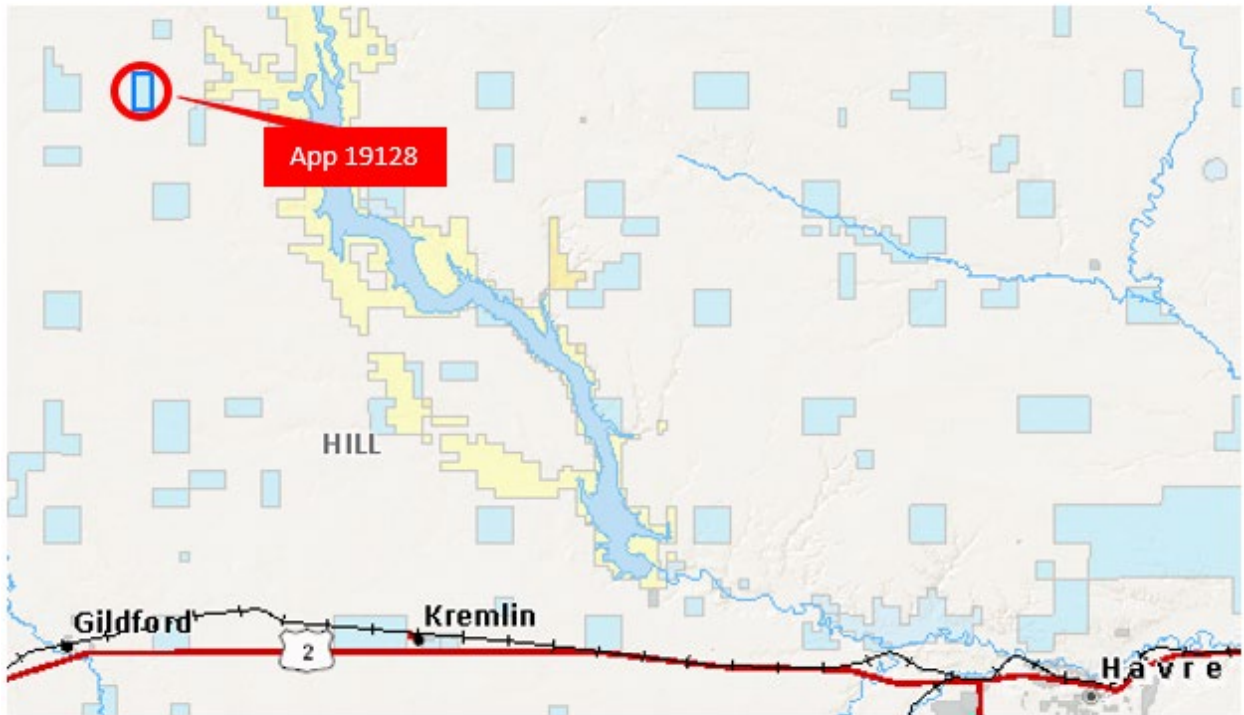
Item Summary

Iofina Resources, Inc. has made application to convert an existing Land Use License issued in 2010 to a term easement associated with an existing 12" brine water pipeline. The pipeline is no longer in use and has been purged and cleaned. However, authorization to remain in place on State Land is required. Consistent with standard practice, this easement is recommended to be limited to a term of 30 years.

DNRC Recommendation

The director recommends approval of a 30-year limited term easement for Iofina Resources, Inc.

R/W Application 19128



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Montana Department of Transportation
 PO Box 201001
 Helena, MT 59620-1001

Application No.: 19129
 R/W Purpose: highway construction and maintenance, including occupancy by
 public utilities as defined in §69-4-101
 MCA

Lessee Agreement: ok
 Acreage: 9.19
 Compensation: \$4,136.00
 Legal Description: a tract of land in the SW4NW4, SE4NW4, SW4NE4, SE4NE4,
 Sec. 2, Twp. 18N, Rge. 41E, Garfield County
 Trust Beneficiary: Common Schools

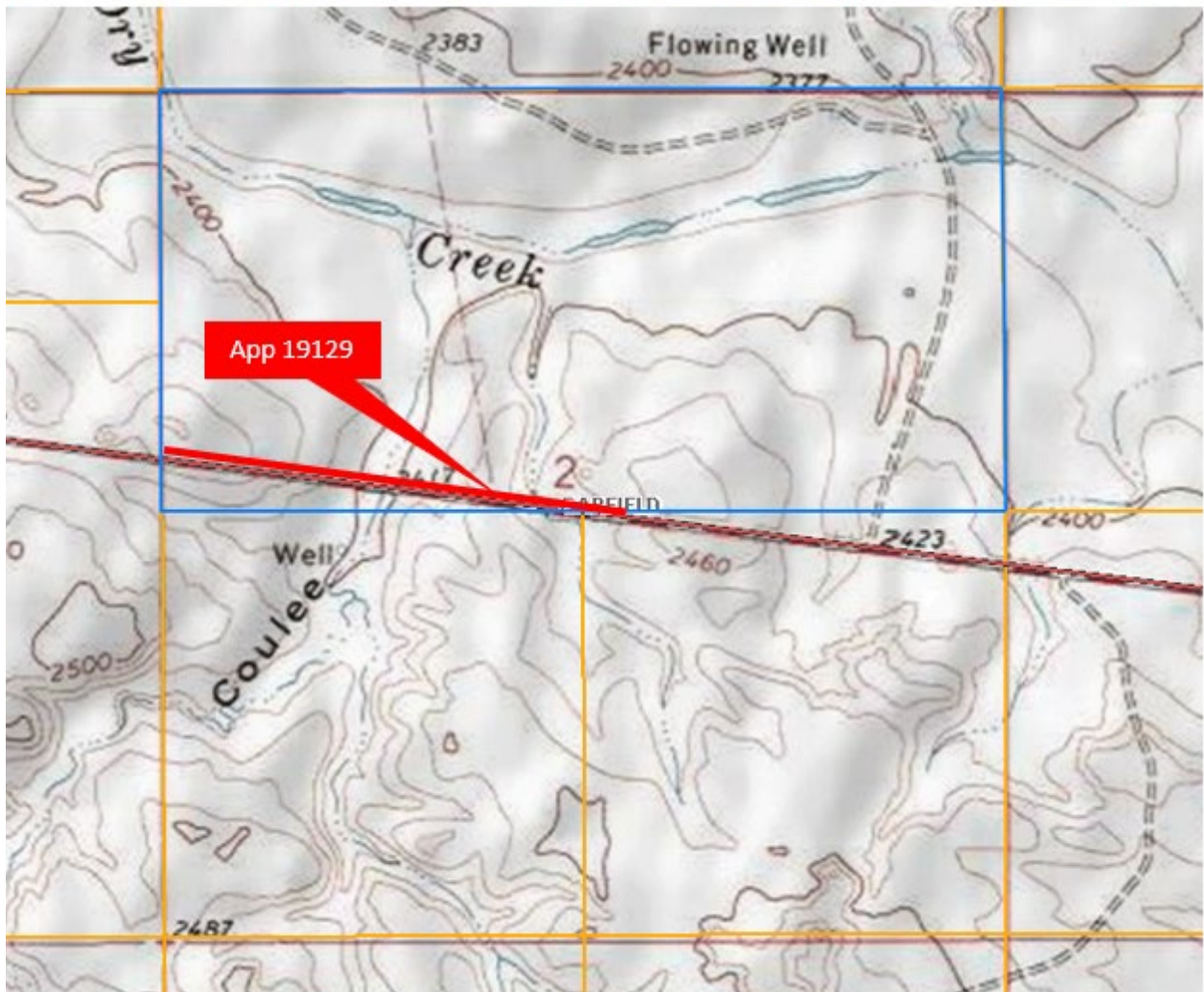
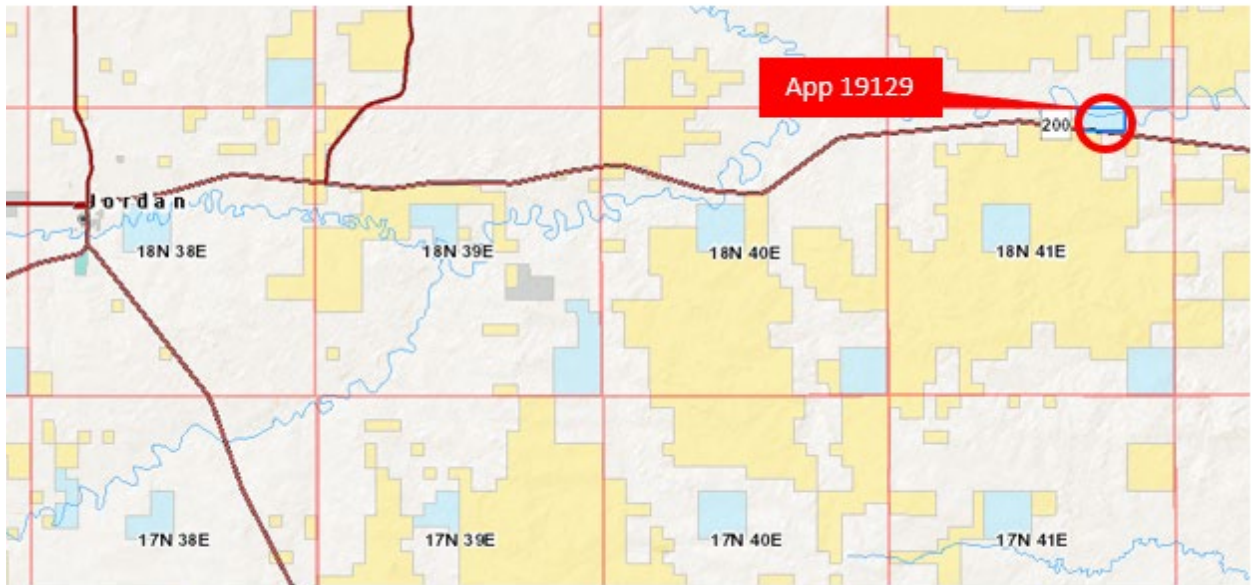
Item Summary

MDT is proposing to reconstruct a section of Montana Highway 200, starting 17 miles east of Jordan in Garfield County thence east for 9.4 miles. The scope of the project involves major reconstruction to include 6' shoulders, centerline and shoulder rumble strips, new drainage structures, and a new bridge over Little Dry Creek. The primary purpose of the project is to improve geometry, reduce the expected occurrence and severity of crashes, provide a smoother roadway, and reduce maintenance costs. The project is in sage grouse core habitat and consultation with the Sage Grouse Program is occurring.

DNRC Recommendation

The director recommends approval of this easement request by MDT.

R/W Application 19129



0821-3

INFORMATIONAL ITEM:

FY22 Real Estate Project List

**Land Board Agenda Item
August 23, 2021**

0821-3 INFORMATIONAL ITEM – FY22 REAL ESTATE PROJECT LIST

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

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

Trust Revenue: N/A

Item Summary

The Trust Lands Management Division (TLMD) 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.

Nine of the Sixteen Projects are currently generating annual revenue through commercial leasing, and ten of the Projects are in various stages of the commercial leasing process. Two projects have rolled off the PIT agenda due to being fully completed projects.

Background:

The *Real Estate Management Plan Record of Decision (ROD)* was approved in July 2005. The ROD provides the TLMD with consistent policy and direction in the selection and implementation of real estate activities on state Trust Lands.

The PIT selected the Projects on the following table in adherence to the ROD. The ROD defines a comprehensive process that includes both extensive site investigation and participation of the public and local units of government. These Projects successfully completed the required analysis which ensures development is physically possible and legally permissible. Further, the Projects meet the three goals of the Real Estate Management Plan:

- Goal A: Share in Expected Community Growth – these Projects capture a share of development taking place in Montana’s communities.
- Goal B: Plan Proactively – department staff have participated in numerous neighborhood/community meetings and worked closely with local officials during design and ongoing development of these projects. The department works cooperatively with local communities in locating projects in designated growth areas and strategic rural areas.

- Goal C: Increase Revenue for Trust Beneficiaries – the selected projects increase revenue from the lands proposed for development and generate the greatest amount of revenue per acre.

The Project list will be made available to the public on the DNRC website.



FY22 REAL ESTATE PROJECT LIST

0821-3

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	450	Urban	Active Project: FY22 – planning meeting 7/15*2021 for moving forward. Scheduling appraisal in anticipation of RFP release for late summer 2021.
North Park - East and West	Bozeman: Commercial/industrial development.	Common Schools	CLO	Gallatin	178	Urban	Active Project: North Park East - Option to Lease exercised – 4 leases executed 8/19. 4 leases assigned to new developer – Bozeman Trax Partners, LLC on 7/21/2021 Lease Base Rent - \$222,360. Rent Credits under Audit. Lease assigned with remaining credits of \$3,917,603.00 North Park West (90+/- ac.) – anticipate appraisal and RFP launch 4 th quarter 2021.
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 Group to be held by Cascade County. Easement area is currently being surveyed and fundraising efforts are underway by MROLG to fund easement cost of approx. \$1,000,000.
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 . FY21 – RFP released for remaining acreage on 5/21 – closes 8/23/21.
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. Income generated through commercial lease development in FY21: \$7,778.
Spring Prairie Commercial Infill (Section 36)	Kalispell: Commercial/professional development.	Common Schools	NWLO	Flathead	530	Urban	Active Project: Lease development on Kalispell's Section 36 is ongoing. FY21 – option to lease and lease for 22-acre Mountaineer parcel approved at September Land Board. Lease option executed 10/1/2020 & will generate \$38,786 in 1 st year. Lease will generate 1st year revenue of \$106,661 which includes a reduced rent period in first 6 months and jumps to \$145,059 for year two when executed. Currently there are 11 active leases on the section. Income generated through commercial lease development in FY21: \$940,340
Cripple Horse Creek	Libby: Anticipated commercial recreation development adjacent to an existing commercial resort on Lake Kookanusa.	Public Buildings	NWLO	Lincoln	162.5	Rural	Project pending market interest.
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

Real Estate Project	Description	Grant	Office	County	Acres	Urban/ Rural	Status
							kitchen/dining facility), a shop, various outbuildings, fuel storage tanks, a wastewater treatment facility, groundwater wells, and 8 pads constructed for mobile home use. The property has interior gravel roads as well as sidewalks between the buildings.
Olney Crossroads	Olney: The purpose of the lease is "for a 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.	School for Deaf & Blind	NWLO	Flathead	7.28	Rural	The lessees are seeking to pursue approval for the public campground 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
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 – Kooconusa 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: FY20 – RFP launched 2/2020 – no proposals. In FY21 the Department will strategize on new approaches to marketing and leasing commercial property on the project area. Income generated through commercial communication site leases in FY21: \$29,455.07
Reserve Street	Missoula: Commercial/professional development on 2 lots.	Common Schools/ MSU	SWLO	Missoula	2.8	Urban	Active Project: FY21 – re-appraised 2/21. Value increase of 60% in 25 months to \$2,205,000. Released RFP May 2021 – closes August 2, 2021.
Butte Industrial District	Butte: Commercial/industrial development.	Common Schools	SWLO	Butte – Silverbow	350	Rural	New 2021 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 presently on location in District. Inclusion of State Land into the TEDD would improve access and future industrial growth options. Current Parcel currently generates approximately \$2000 yearly from an active grazing lease. State is applying for a zoning request as require or inclusion into the TEDD. An interest letter for a solar fam lease has been received.

Projects fully completed and under development FY 21

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. Income generated in FY21: \$23,048.00
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. Income generated through the commercial lease development in FY21: \$488,332