



Region One
490 North Meridian Rd.
Kalispell, MT 59901
(406) 752-5501
FAX: 406-257-0349
Ref: JS063-10
October 15, 2010

Dear Interested Persons:

Montana Fish, Wildlife & Parks (FWP) is initiating a new 2-week public comment period for the approximately 9,500-acre proposed West Swan Conservation Project. Comment period begins today, Friday, October 15, and ends midnight, October 29, 2010. This additional public comment period gives people time to review new information about the cost of the proposed conservation alternatives and the results of subsequent negotiations between The Nature Conservancy (the landowner) and the state of Montana. Members of the public felt that FWP did not provide sufficient public notice between the time of our amended decision notice press release on October 6, where we provided newly available appraisal information and recommended the conservation easement alternative to the FWP Commission for their subsequent meeting, October 7, 2010.

Following this current 2-week public comment period, Region One will issue an amended decision notice that will summarize and address new public comments and recommend a final course of action. FWP will then ask the FWP Commission to reconsider their earlier decision on the West Swan Conservation Project via a conference call that is tentatively planned for the week of November 8. The public will be able to comment during that meeting as well; details concerning the time and date of that FWP Commission conference call and how individuals are able to participate will be released as soon as possible.

Your comments will assist FWP in deciding on which action alternative to finally propose to the Commission and will also assist the Commission in deciding on which alternative action to approve.

FWP currently prefers the bargain-sale conservation easement and will likely propose this alternative to the Commission unless public comment persuades FWP that one of the other two alternative actions is better. Below is a summary of the appraisal and other relevant information that became available in early October following the close of our initial public comment period as well as the preferred alternative and rationale. We ask that the public consider all the information that is now available including the original draft environmental assessment and decision notice as well as this letter and submit any comments you might like to contribute at this time.

Background

On August 6, 2010, FWP released a draft EA on the West Swan Conservation Project for a 30-day comment period. Region One reviewed public comments and issued a decision notice on September 30, 2010, where we addressed public comments and recommended FWP pursue one of the action alternatives (conservation easement, fee-title, or a combination of the two) as opposed to taking no action to conserve the available properties. At that point we were unable to recommend a specific action alternative because of outstanding uncertainties about final costs and the seller's interests. Although we hoped the appraisal and seller information would be available and released to the public well before the October 7 Commission meeting, the appraisal was not finalized until October 4. Based on the appraisal and subsequent landowner negotiations, FWP released a press release on October 6, 2010, notifying the public about the new appraisal information, negotiations with the landowner, and the resulting recommendation of the conservation easement alternative to the FWP Commission for final approval. Following the FWP Commission meeting on October 7, where the Commission voted to approve this preferred alternative, members of the public let us know that FWP did not provide adequate time to review the new information or comment on the recommended action. This new 2-week public comment period is intended to address these concerns.

Appraisal

In July 2010, FWP hired Clark Wheeler and Associates of Bozeman, Montana, to complete a yellow-book or federal standard appraisal on the value of the proposed conservation easement over approximately 9,500 acres of former Plum Creek Timber Company lands in the west portion of the Swan River State Forest. These lands are under contract for sale to the Nature Conservancy. The appraisal summary is attached to this letter; the property was appraised as two parcels with a total fee-value of \$21,810,000. The conservation easement value was estimated to be \$18,260,000. After negotiations, The Nature Conservancy agreed to sell the conservation easement to FWP for \$14,800,000, which is about 19% below market value.

The final conservation easement appraisal has been forwarded to two potential funders, the Bonneville Power Administration and the U.S. Fish and Wildlife Service Habitat Conservation Plan Land Acquisition Program, for their review and evaluation. Under the conservation easement alternative, the lands would continue to be managed as forest lands, but subject to the terms of the conservation easement described in the West Swan draft EA. The terms of the conservation easement remove all residential or commercial development and structures, provide specific protections for fish-bearing streams, and provide public access in perpetuity. Montana Department of Natural Resources (DNRC) is interested in purchasing the underlying fee-title to these lands, following conveyance of the conservation easement to FWP.

Preferred Alternative and Rationale

FWP believes the bargain-sale conservation easement is the best alternative for conserving these lands for long-term fish and wildlife benefits, while also maintaining their use as working forest

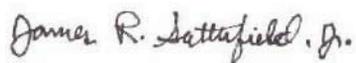
lands. The conservation easement approach is consistent with our overall approach to conserving other timber lands both in the Swan (7,200-acre North Swan conservation easement) and elsewhere in northwest Montana (142,000-acre conservation easement in the Thompson and Fisher River Valleys) as well as in parts of the Blackfoot and Clearwater drainages. FWP does not have adequate funding for fee-title acquisition of these lands, nor does FWP have staff or funding to meet additional long-term responsibilities of ownership, maintenance, and stewardship for large tracts of timberland that fee ownership would demand. For these reasons, if we can secure habitat commitments through a conservation easement, that is preferable for our programs. Fortunately, in this case, the seller is willing to convey the underlying fee-value to DNRC, who has the expertise, staff, and on-site resources to manage these lands along with their other contiguous lands within the Swan River State Forest, consistent with the terms of the conservation easement.

We believe that the proposed conservation easement, along with the associated Multi-Resource Management Plan, will provide long-term benefits for fish and wildlife over the entire Swan River State Forest landscape. This project is the culmination of years of conservation work by multiple partners in the Swan Valley, efforts that include the acquisition of over 53,000 acres of former Plum Creek lands by the Flathead National Forest, 6,000 acres of conservation easements on private lands, and 9,000 acres conserved by FWP. The long-term cumulative benefits of these combined conservation efforts will benefit threatened and endangered species, reduce future impacts associated with development and subdivision, maintain public recreational opportunities, reduce inefficiencies associated with disjunctive management of checkerboard ownership, and expand opportunities for public involvement in nearly all future forest management activities at multiple scales.

To Comment or For More Information

Please send your comments to Nancy Ivy at nivy@mt.gov or to Nancy Ivy, West Swan Valley Conservation Project, 490 North Meridian Road, Kalispell, MT 59901 by midnight October 29, 2010. The draft EA and original decision document along with the information in this letter can be obtained from the main FWP website (Recent Notices) <http://fwp.mt.gov/news/publicnotices> or by contacting Nancy Ivy (406-751-4579), Joel Tohtz (406-751-4570), or Alan Wood (406-751-4595).

Sincerely,



James R. Satterfield Jr., Ph.D.
Regional Supervisor

Enclosure

c: *Governor's Office, Attn: Mike Volesky, PO Box 200801, Helena, 59620-0801

*Cecelia Brown, Bonneville Power Administration

*Environmental Quality Council, PO Box 201704, Helena, 59620-1704

*Dept. of Environmental Quality, Planning, Prevention & Assistance, PO Box 200901, Helena, 59620

*Dept. of Environmental Quality, Permitting Compliance, PO Box 200901, Helena, 59620-0901
Tom Schultz, DNRC, PO Box 201601, Helena, 59620-1601; Kalispell: Bob Sandman*
Dan Roberson, DNRC, Swan River State Forest, Swan Lake, 59911
Montana Fish, Wildlife & Parks - Director's Office: Reg Peterson; Fisheries: Karen Zackheim,
Nancy Podolinsky; Wildlife: Don Childress, Steve Knapp; Lands: Hugh Zackheim; Rebecca
Cooper; & Legal Unit: Stella Cureton

*Dale Becker, Manager, CSKT Fish & Wildlife Program, PO Box 278, Pablo, 59855

*Sid Rundell, Flathead Reservation Fish & Wildlife Board Chair

*Lynn DuCharme, Subbasin Coordinator, CSKT, P O Box 278, Pablo, 59855

*Tom McDonald, Div. Admin., CSKT Natural Resources, PO Box 278, Pablo, 59855

*Arlene Caye & Marcia Pablo, CSKT Historic Preservation Office, PO Box 278, Pablo, 59855

*E. T. Bud Moran, CSKT Tribal Chair, PO Box 278, Pablo, 59855

*Patricia Hewankorn, Kootenai Culture Committee, PO Box 278, Pablo, 59855

*Tony Incashola, Salish Culture Committee, Box 418, St. Ignatius, 59865

*Les Evarts, CSKT, P O Box 278, Pablo, 59855

Steve Brady, US Forest Service, Swan Lake Ranger District, 200 Ranger Station Road, Bigfork,
59911
Forest Supervisor, US Forest Service, 650 Wolfpack Way, Kalispell, MT 59901

*Montana Historical Society, SHPO, 225 North Roberts, Veteran's Memorial Building, Helena,
59620

*Montana State Library, 1515 East Sixth Ave., Helena, 59620-1800

*Adam McLane, Montana Environmental Information Center, PO Box 1184, Helena, 59624
George Ochenski, 4 Harrison Road, Helena, MT 59601

*Wayne Hirst, Montana State Parks Foundation, PO Box 728, Libby, 59923

*Montana State Parks Association, PO Box 699, Billings, 59103

*Joe Gutkoski, President, Montana River Action Network, 304 N 18th Ave., Bozeman, 59715

*Representatives Calf Boss Ribs, Fleming, Jopek, Reichner, & Taylor

*Senators Breueggeman, Jackson, & Juneau
Lake County Commissioners, 106 Fourth Avenue E, Polson, 59860
Flathead County Commissioners, 800 S Main Street, Kalispell, MT 59901
Flathead County Library, 247 First Avenue E, Kalispell, 59901
Flathead County Library, P O Box 472, Bigfork, 59911
Seeley Lake Public Library, PO Box 416, Seeley Lake, 59868
Polson City Library, PO Box 820, Polson, 59860
Missoula County Library, 301 E Main Street, Missoula, 59802
Swan Lake Library, PO Box 5147, Swan Lake, 59868
Swan Ecosystem Center, 6887 Hwy 83, Condon, 59826

Interested Parties

**SELF CONTAINED
CONSERVATION EASEMENT APPRAISAL
REPORT**

OF SPECIFIED

**NATURE CONSERVANCY – WEST SWAN
VALLEY PROPERTY**

LOCATED IN LAKE COUNTY, MONTANA

PREPARED BY:

**N. CLARK WHEELER, BROKER
ACCREDITED RURAL APPRAISER #673
MONTANA LICENSED GENERAL APPRAISER #95
WYOMING LICENSED GENERAL APPRAISER #222**

**NORMAN C. WHEELER & ASSOCIATES
421 W. MENDENHALL
P.O. Box 1053
BOZEMAN, MT 59715
406.587.7701**



Real Estate Appraisals

Brokerage

Consulting

Management

Bozeman Office:

N. Clark Wheeler, ARA, Broker/Owner, MT
Certified General Appraiser, MT & WY
Clark@ncwheeler.com

Thomas O. Kingsbury
GIS Database Technician
Tom@ncwheeler.com

Missoula Office:

Paratic David Neibergs, M.A./ARA
Certified General Appraiser, MT
Real Estate Sales Associate, MT
Neibergs@qwestoffice.net

October 4, 2010

Mr. Hugh Zackheim
Montana Department of Fish, Wildlife & Parks
1420 East 6th Avenue
P.O. Box 20071
Helena, MT 59620-0701

Re: The Nature Conservancy – West Swan Valley Conservation Easement

Dear Mr. Zackheim:

Pursuant to your instructions and based on an appraisal contract I have completed a current market value appraisal of specified lands located in Lake County, Montana. Those lands as identified herein consist of 9,348.83 deeded acres more or less. The requirements of the appraisal were identified in an Appraisal Services Contract issued by the Department of Fish, Wildlife & Parks, a copy of which is attached hereto in the Addenda of this appraisal under **Exhibit #3**.

The lands as identified herein consist of 16 disaggregate but nearby tracts of land running from about 80 to 640 acres in size. They are former industrial timberlands located inside what is referred to as the Swan State Forest in the upper Swan Valley of western Montana. They generally lie west of State Highway #83 along and above the Swan River corridor, against the eastern shoulder of the Mission Mountains. They have no building improvements and access and features to the various parcels varies are reported herein.

The scope of the appraisal involved the determination of the larger parcel to be appraised. It also designated the appraisal of the before and after value of the lands appraised based on the proposed imposition of a Conservation easement on the lands appraised. The appraisal was to be prepared in accordance with Federal Appraisal guidelines and the use of a Hypothetical Condition was authorized. That condition allowed the analysis of value and appraisal of the lands in the after situation to be conducted as if they were encumbered by the proposed easement as delineated herein.

In consideration of the features and locational attributes of the lands appraised I determined there were two larger parcels to be appraised in the before easement. In the after easement

421 W. Mendenhall, Bozeman, MT 59715
P.O. Box 1053, Bozeman, MT 59771
Phone: 406/587-7701, Fax: 406/587-2638

ARA - Accredited Rural Appraiser

Building 31, Fort Missoula Rd., Suite 3
Missoula, MT 59804
Phone: 406/829-3773; Fax: 406-829-3964

Web site: ncwheeler.com



appraisal all lands are bound together and restricted as one larger ownership. I appraised the lands after easement as one larger parcel. Based on a final property inspection the effective date of this appraisal is September 16, 2010.

Based on the conditions and comments reported herein I have made the following market value conclusions:

The Before Market Value applicable to the two Larger Parcels defined and appraised herein is as follows:

Larger Parcel I:

3,516.09 acres at \$5,000 per acre is \$17,580,450, rounded to \$17,580,000.

Larger Parcel II:

5,832.74 acres at \$725 per acre is \$4,228,736.50, rounded to \$4,230,000.

The After Market Value of the one larger parcel subject to conservation easement as set forth herein is \$3,550,000.

As noted in order to make an analysis of value in the "after" easement situation, I have applied a Hypothetical Condition in that the subject property is considered to be restricted by the proposed conservation easement as well as subject to standard title exceptions. In the "before" easement situation, the subject property is assumed to be only subject to standard title exceptions. The use of a Hypothetical Condition is not considered to be inappropriate or misleading within the context of this appraisal, because the scope of the appraisal requires a "before" and "after" appraisal analysis, and the intended users and client of this report understand the use of the report. The use of this Hypothetical Condition has affected the assigned results in the after valuation.

The difference between these two values attributed to the larger parcel as set forth herein is \$18,260,000, based on the Hypothetical Condition imposed herein.

These values are subject to the conditions and comments appearing in the following narrative appraisal report.

Respectfully submitted,

N. Clark Wheeler

N. Clark Wheeler, Broker
Accredited Rural Appraiser #673
Certified General Real Estate Appraiser, Montana #95
Certified General Real Estate Appraiser, Wyoming Permit # 222

