



MONTANA DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

Commercial Leasing Process

BACKGROUND:

A request for proposal (RFP) process is required per 77-1-904, MCA, for the Department of Natural Resources and Conservation (DNRC, or Department) to lease trust land for a commercial purpose. Factors considered by the Department when choosing to initiate the RFP process may include but are not limited to: highest and best use of the land, probability of developer response and subsequent lease, current market conditions, project priority status, the Department's Real Estate Management Plan, any local, state or federal regulations that effect the ability to develop the land, zoning, decisions made by the Land Board, and analysis of other real estate management programs.

GENERAL PROCESS:

1. Property identified for commercial lease development.
 - a. Department identifies property OR;
 - b. Proponent driven – Proponent typically delivers a letter of interest to the DNRC.
2. Feasibility research.
3. Project work, if necessary; if property requires local government review such as rezoning, annexation, or subdivision prior to leasing, the subject property becomes a "Project", it will also require:
 - a. DNRC project identification team approval
 - b. 60-day notice to interested parties
 - c. Notification to the Land Board of new "Project"
4. Land valuation: Minimum lease fees are based on a percentage of the land value.
5. Request for proposal (RFP); 90 days for initial release, and 30 days for any re-posting within two years.
 - a. Notice/Marketing; at a minimum:
 - i. RFP is posted on department webpage.
 - ii. Email is sent to interested parties.
 - iii. Legal add is posted in local paper.
 - b. Questions and site tours
 - i. Site tour may be conducted with interested parties.
 - ii. Questions and answers, or modifications to the RFP are made part of the RFP as an addendum. All interested parties are notified of any addendum.
6. Proposal evaluation: Any and all proposals received by the deadline provided in the RFP will be analyzed by the DNRC Proposal Evaluation Committee (PEC) to determine if the proposal is responsive or nonresponsive. Proposals that do not follow the instructions in the RFP or are incomplete may be deemed nonresponsive, and consequently will not be evaluated further. Proposals received after the deadline will not be scored.
 - a. Evaluation criteria is included within the RFP.
 - b. Evaluation committee members score each proposal individually.
 - c. Final consensus score determined by PEC members.
7. If Option to Lease is planned:
 - a. Land Board vote* on issuance of a lease through the option.

- b. Issue option to lease and secure option fee; Optionee will have exclusive rights to enter into a lease during the option period, contingent upon MEPA** and the record of decision.
 - c. As part of the land reclassification process, conduct MEPA** analysis for **proposed lease activity** during the option period, prior to executing a lease.
8. If Lease is Planned (no Option)
- a. Conduct MEPA** for proposed lease activity.
 - b. Land Board to vote* on issuance of the lease.
 - c. Issue lease and secure annual lease fee.

** Land Board approval is required for any new commercial lease with a fee over \$50,000 per year.*

*** In some instances, the required MEPA analysis was conducted prior to the issuance of an RFP. For example, Section 36 in Kalispell was analyzed for future residential, park, professional and commercial land uses in a 2001 FEIS.*



MONTANA DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

FREQUENTLY ASKED QUESTIONS

Commercial Leasing & Affordable Housing Opportunities on State Trust Lands

The Montana Department of Natural Resources and Conservation (DNRC) manages state trust lands to produce revenues for trust beneficiaries while considering environmental factors and protecting the future income generating capacity of the land. Some lands that are managed by the agency have a “highest and best use” as commercial development. Often those lands are located near or within city limits in various locations across the state and therefore present excellent opportunities for industrial, retail, and mixed-use residential. Currently, the DNRC manages 121 active commercial leases and continually pursues other opportunities throughout the state.

HOUSE BILL 819 (2023 MONTANA STATE LEGISLATURE)

1. **What is HB 819 and what is the DNRC’s role in this legislation?**

House Bill 819 was passed by the Montana State Legislature and signed into law by Governor Greg Gianforte on June 13, 2023. The bill created the Montana Community Reinvestment Plan to provide for attainable workforce housing and to provide for funds to communities to reinvest and incentivize the development of such housing. For the DNRC specifically, it mandates that the agency will evaluate the availability of state trust lands for potential development of attainable workforce housing. It also states that communities shall consider the use of state trust lands to support critical public employee services, including attainable workforce housing.

2. **Does HB 819 mandate any procedural changes to the commercial leasing program?**

No. The DNRC will continue to work within the existing framework of statute and rule to accomplish its constitutional mandate of generating revenue for the trust beneficiaries.

GENERAL LEASING AND PROCESS QUESTIONS

3. **Why is the State leasing land for development?**

The DNRC manages nearly 5.2 million surface acres of the State of Montana’s trust land resources. The Montana Constitution and the Enabling Act require the State to act with undivided loyalty in the interest of the trust beneficiaries in matters involving trust property, to carry out the intentions of the grantor of the trust, to make the trust economically productive, and to be accountable to the beneficiary. The DNRC has a fiduciary duty to generate revenue on trust lands for trust beneficiaries. Trust beneficiaries include public

education institutions, such as K-12 schools, universities, and Pine Hills, which receive trust revenue.

The DNRC generates revenue for trust beneficiaries through four primary programs: agriculture and grazing management, forest management, minerals management, and real estate management, including commercial leasing.

4. What is the standard Commercial Leasing process and has it been modified in response to HB819?

All commercial leases are issued through a Request for Proposals (RFP) process and thereby is a public process that anyone is allowed to bid on. By Statute, annual lease fees are based upon a percentage of the full market appraised value of the Trust property. This revenue fee calculation does not deviate because of HB 819. Proposals are scored and, if selected, lease terms are negotiated between the parties. Some proposals request an Option to Lease for a period of time prior to executing a lease. Under an Option, the proponent would hold rights to develop, and pay for the rights to develop, but would not be able to break ground on the development. The Option to Lease facilitates permitting and further due diligence on the project. Some leases require Land Board approval prior to execution, and the appropriate environmental review must be completed, in compliance with the Montana Environmental Policy Act (MEPA).

5. Where does the revenue go that is generated from the land lease?

The revenue generated from this proposed commercial lease is considered “distributable” revenue and is paid to the appropriate trust beneficiary. There are twelve beneficiaries that receive this revenue, with Common Schools (K-12) being the majority of the land trust.

6. How can I get more information?

Information can be obtained directly from your local DNRC Unit Office or by calling the Commercial Leasing Specialist at the DNRC HQ in Helena at (406) 444-0915.

COMMUNITY, LESSEE, AND EXISTING USES

7. How can a community prepare before approaching the DNRC about an affordable housing project on Trust Land?

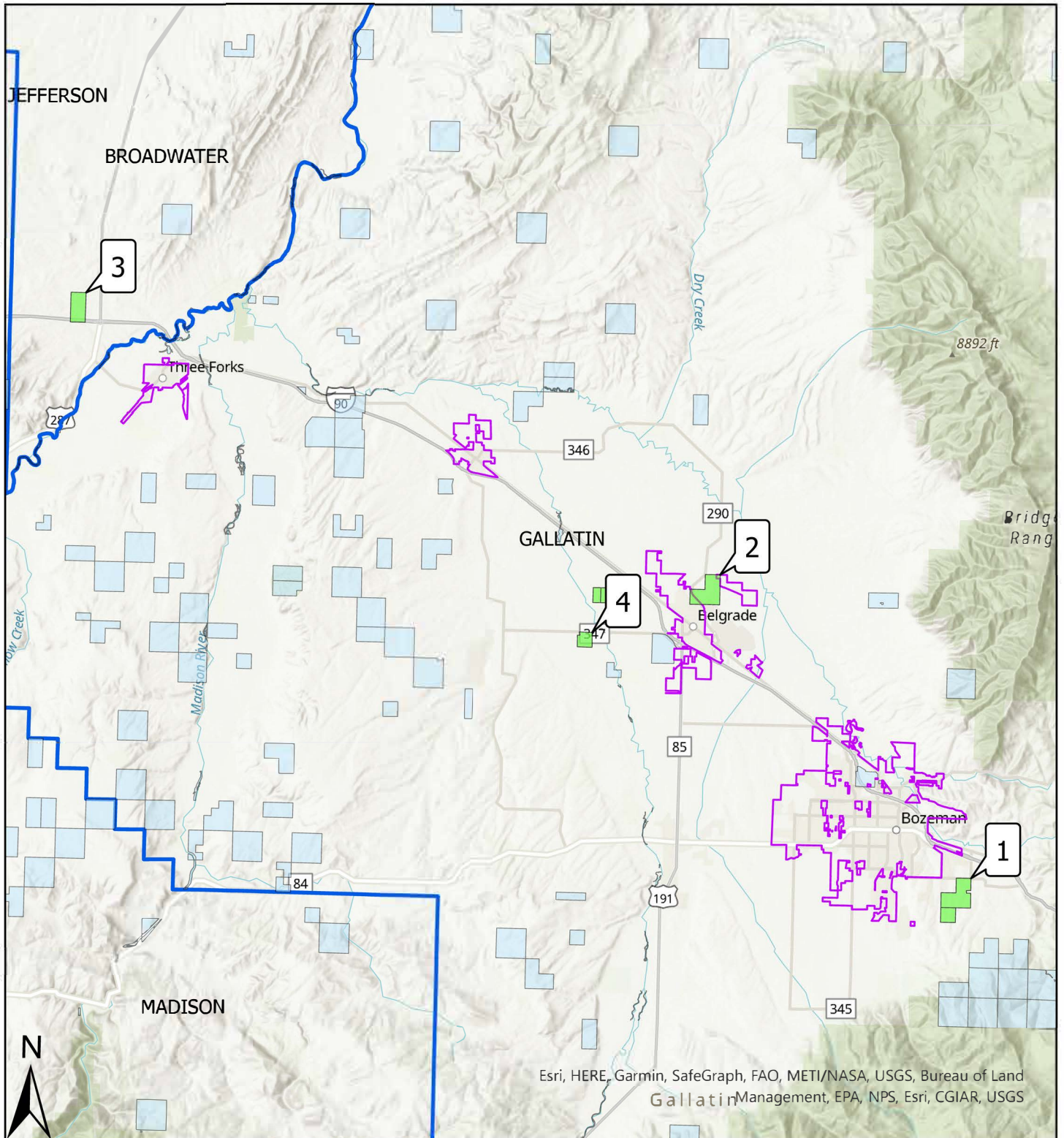
Communities who are interested in utilizing state trust land for potential affordable housing development should:

- Identify the need to be served and the overall vision of the development.
- Understand the community’s support and the projects impacts, both positive and negative.
- Work with local developers to explore potential relationships and share ideas.

8. What happens to the existing ag or grazing lease on the trust land if it is identified for potential affordable housing?

The DNRC has a process to convert ag or grazing land to commercial development if that is deemed the highest and best use. The existing use will be phased out over time as the commercial development construction begins. DNRC will work proactively with both the current lessee and the developer to minimize the impact.

Trust Lands with Development Potential Bozeman Region



- Bozeman Housing Potential
- City Limits
- Other Trust Lands
- MT Counties



Bozeman Area Development Opportunities

1. Gallatin County, MT

Legal description: Section 21 and 28 T2S R6E

Acreage: 640 acres

Distance to City: Approx. one mile to City limits

Legal Access: Yes. Kagy Rd, Bozeman Trail Rd and Fort Ellis Rd.

Slope/terrain: Flat.

Proximity to services: Utilities available, no city services.

Adjacent development: Residential and open space

Zoning: Agricultural/Suburban

2. Belgrade, MT

Legal description: Section 36 T1N R4E

Acreage: 130 acres

Distance to City: Eight miles to Bozeman

Legal Access: Yes. Penwell Bridge Road, Dry Creek Road.

Slope/terrain: Flat.

Proximity to services: Power and phone, well water unknown in area.

Adjacent development: Rural residential

Zoning: Currently zoned PLI-Public Lands & Institutions - recommended by City of Belgrade for annexation and rezoning to BP10 Business Park.

3. Three Forks, MT

Legal description: Section 16 T2N R1E

Acreage: 300 acres

Distance to City: 30 miles to Bozeman

Legal Access: Yes. Wheatland Road.

Slope/terrain: The parcel is relatively flat

Proximity to services: Close to the interstate.

Adjacent development: Dispersed residential and open space.

Zoning: Unzoned – rural.

4. Belgrade, MT

Legal description: Section 32 and 33 T1N R4E; Section 8 T1S R4E

Acreage: 300 acres

Distance to City: 11 miles to Bozeman

Legal Access: Yes. Amsterdam Rd and Thorpe Rd.

Slope/terrain: Flat

Proximity to services: Close to other residential housing and utilities; three miles to City services.

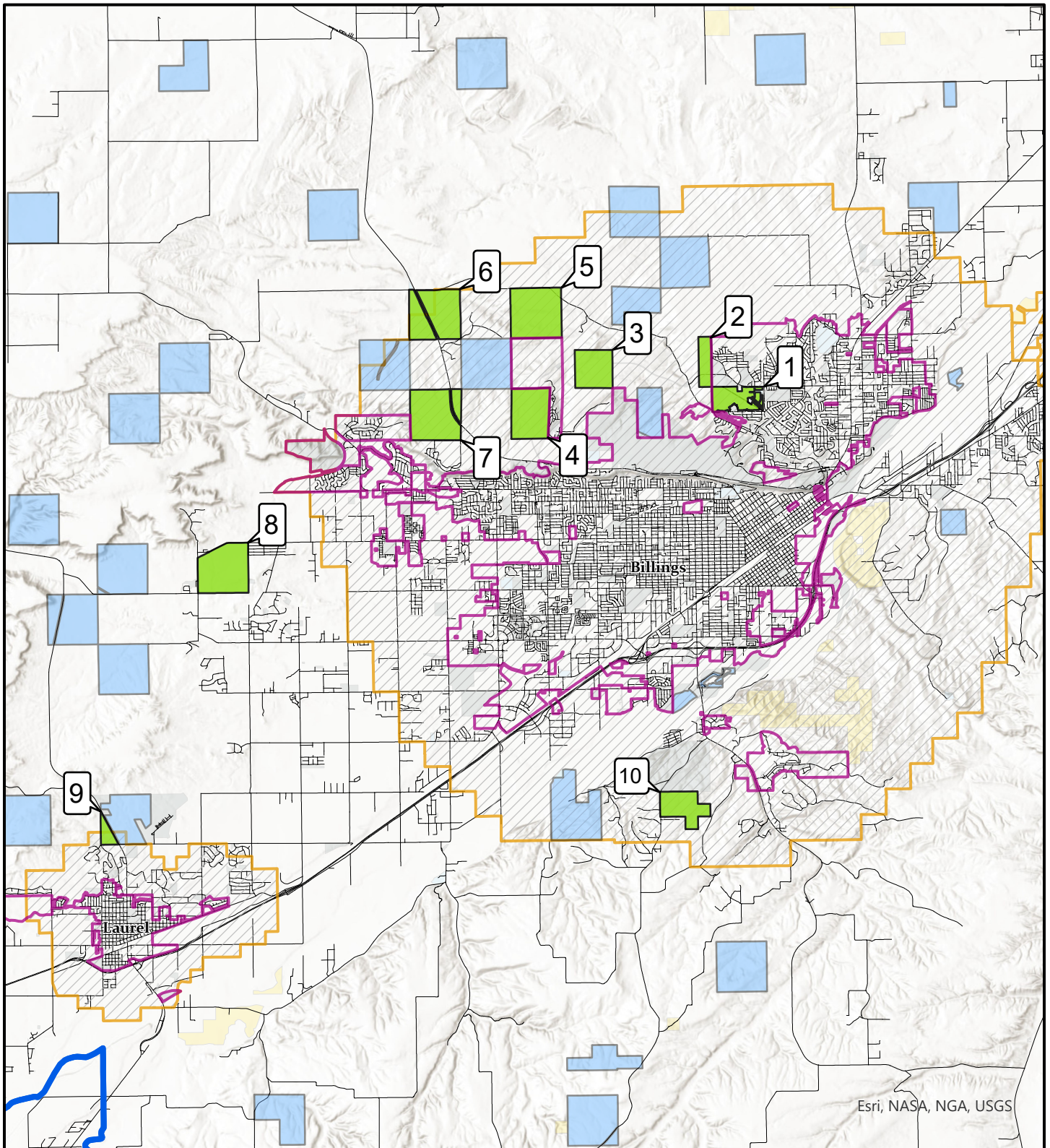
Adjacent development: Dispersed residential and open space.

Zoning: Unzoned – rural.

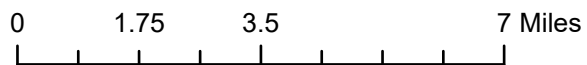
Trust Lands with Development Potential

Billings Region

Yellowstone County



-  City Boundaries
-  Yellowstone County Zoning Jurisdiction
-  Billings Development Potential
-  State Land



Prepared By : Joe Holzwarth - DNRC
Date: 25 May 2023
NAD 1983 MT State Plane FIPS 2500 (Meters)

Billings Area Development Opportunities

1. Skyview Ridge – Billings, MT

Legal Description: N½ of Section 20, Township 1 North, Range 26 East

Acreage: ±280 acres

Distance to City: Within Billings City Limits

Legal Access: Yes. West Wicks Lane, Constitution Boulevard.

Slope/Terrain: Mostly Flat with exposed sandstone in the Northeast Corner. Geotech report on file.

Proximity to Services: All utilities adjacent to parcel.

Adjacent Development: Residential/Mixed-Use/Commercial

Zoning: CMU1 – Corridor Mixed-Use 1, NMU – Neighborhood Mixed-Use, NO, Neighborhood Office, NX2 – Mixed Residential 2 (=> 2-8 du/structure), NX3 – Mixed Residential 3 (=> 5 du/structure), N2 – Mid-Century Neighborhood, N3 – Suburban Neighborhood, P1, Open Space, Parks, Recreation.

Additional Information: Recently appraised in March 2022. Small commercial lease proposal around substation in negotiations.

2. West Wicks Lane & Skyway Drive – Billings, MT

Legal Description: E½E½ of Section 18, Township 1 North, Range 26 East

Acreage: ±160

Distance to City: Adjacent to City of Billings Limits

Legal Access: Yes. West Wicks Lane & Skyway Drive

Slope/Terrain: Mostly flat slope with exposed sandstone

Proximity to Services: Services adjacent. Located within Billings Annexation Petition Area.

Adjacent Development: Residential development directly to the east of section within City limits.

Zoning: A-Agriculture. Within Yellowstone County Zoning Jurisdiction.

Additional Information: Multiple utility easements and encumbrances on property.

3. Yellowstone County, MT

Legal Description: SE¼, E½SW¼, S½NE¼ of Section 14, Township 1 North, Range 25 East

Acreage: ±360

Distance to City: .5 Miles to City of Billings Limits

Legal Access: Yes. Inner Belt Loop (See Additional Information).

Slope/Terrain: Mixed of gentle and flat areas and steep coulees.

Proximity to Services: No Services currently (See Additional Information). Located within Billings Annexation Petition Area.

Adjacent Development: Airport, Residential, and Commercial development to the south.

Zoning: A-Agriculture. Within Yellowstone County Zoning Jurisdiction.

Additional Information: The Inner Belt Loop is currently under construction and is not completed at this time (May 2023). The estimated completion of the road is Fall of 2024. Once the road is built, there will be access with electrical utilities on portions of the road near Highway 3 and Alkali Creek Road.

4. Yellowstone County, MT

Legal Description: W½ & W½E½ of Section 22, Township 1 North, Range 25 East

Acreage: ±480

Distance to City: Adjacent to City of Billings Limits

Legal Access: Yes. Inner Belt Loop (See Additional Information).

Slope/Terrain: Mixed of gentle and flat areas and steep coulees.

Proximity to Services: No Services currently (See Additional Information). Located within Billings Annexation Petition Area.

Adjacent Development: Residential within the City of Billings Limit and Grazing.

Zoning: A-Agriculture. Within Yellowstone County Zoning Jurisdiction.

Additional Information: The Inner Belt Loop is currently under construction and is not completed at this time (May 2023). The estimated completion of the road is Fall of 2024. Once the road is built, there will be access with electrical utilities on portions of the road near Highway 3 and Alkali Creek Road. There are also city services adjacent to the property to the east within the City of Billings Limits, but capacity is limited.

5. Yellowstone County, MT

Legal Description: ALL of Section 10, Township 1 North, Range 25 East

Acreage: ±640

Distance to City: Adjacent to City of Billings Limits

Legal Access: Yes. Alkali Creek Road

Slope/Terrain: Mix of gentle and flat areas and steep coulees. Generally the north half of parcel is easily accessible and potentially developable.

Proximity to Services: Electrical Adjacent. Approx. 4 miles for city services.

Adjacent Development: Agricultural and grazing.

Zoning: A-Agriculture. Within Yellowstone County Zoning Jurisdiction.

Other Information: Parcel has an existing substation and a lease option for another substation in the northeast corner, north of Alkali Creek Road. There is also a NOAA NEXRAD radar facility on the parcel.

6. Yellowstone County, MT

Legal Description: ALL of Section 8, Township 1 North, Range 25 East

Acreage: ±640

Distance to City: Approximately 5 Miles to City of Billings Limits

Legal Access: Yes. Highway 3 bifurcates parcel. Alkali Creek Road and Shorey Road also provide access on the north section line.

Slope/Terrain:

Proximity to Services: Electrical Adjacent. Approx. 5+ miles for city services. South half of section is located within Billings Annexation Long Range Urban Planning Area.

Adjacent Development: Agricultural. Residential subdivision southeast of section.

Zoning: A-Agriculture. Within Yellowstone County Zoning Jurisdiction.

Additional Information:

7. Yellowstone County, MT

Legal Description: ALL of Section 20, Township 1 North, Range 25 East

Acreage: ±640

Distance to City: Adjacent to City of Billings Limits

Legal Access: Yes. Highway 3 bifurcates parcel.

Slope/Terrain: Mix of gentle and flat areas and steep coulees on western portion.

Proximity to Services: Electrical Adjacent. Approx. 5 miles for city services.

Adjacent Development: Agricultural. Residential subdivision south of section

Zoning: A-Agriculture. Within Greater Billings Urban Zoning Jurisdiction.

Additional Information: High recreational use on parcel.

8. Yellowstone County, MT

Legal Description: S½, S½N½, Lots 1, 2, 3, 4 of Section 2, Township 1 South, Range 24 East

Acreage: ±580

Distance to City: ±2.5 Miles to City of Billings Limits

Legal Access: Yes. 88th Street West and Grand Avenue

Slope/Terrain: Flat gentle sloping southwardly.

Proximity to Services: Electrical Adjacent. Approx. 3 miles for city services.

Adjacent Development: Agricultural and grazing. Some commercial to the north. Rural residential to the east.

Zoning: Unzoned

Additional Information:

9. Yellowstone County, MT

Legal Description: ALL of Section 33, Township 1 South, Range 24 East

Acreage: ±640

Distance to City: Approximately 1 mile to the City of Laurel

Legal Access: Yes.

Slope/Terrain: Flat gentle sloping southwardly.

Proximity to Services: Approximately 1.5 miles to city services.

Adjacent Development: Airport and Commercial development to the east and North. Residential development to the south, along with Veterans Cemetery.

Zoning: A-Agriculture. Within Laurel Zoning Jurisdiction in S½ S½SW¼. Remainder of parcel is unzoned.

Additional Information: Parcel has numerous airport easements on the portion of the parcel east of Buffalo Trail. Only developable area is located west of Buffalo Trail.

10. Yellowstone County, MT

Legal Description: NW¼, S½ & NW¼, and NW¼SE¼ of Section 32, Township 1 South, Range 26 east

Acreage: ±320

Distance to City: ±2 Miles to City of Billings Limits

Legal Access: Yes. Hillcrest Road

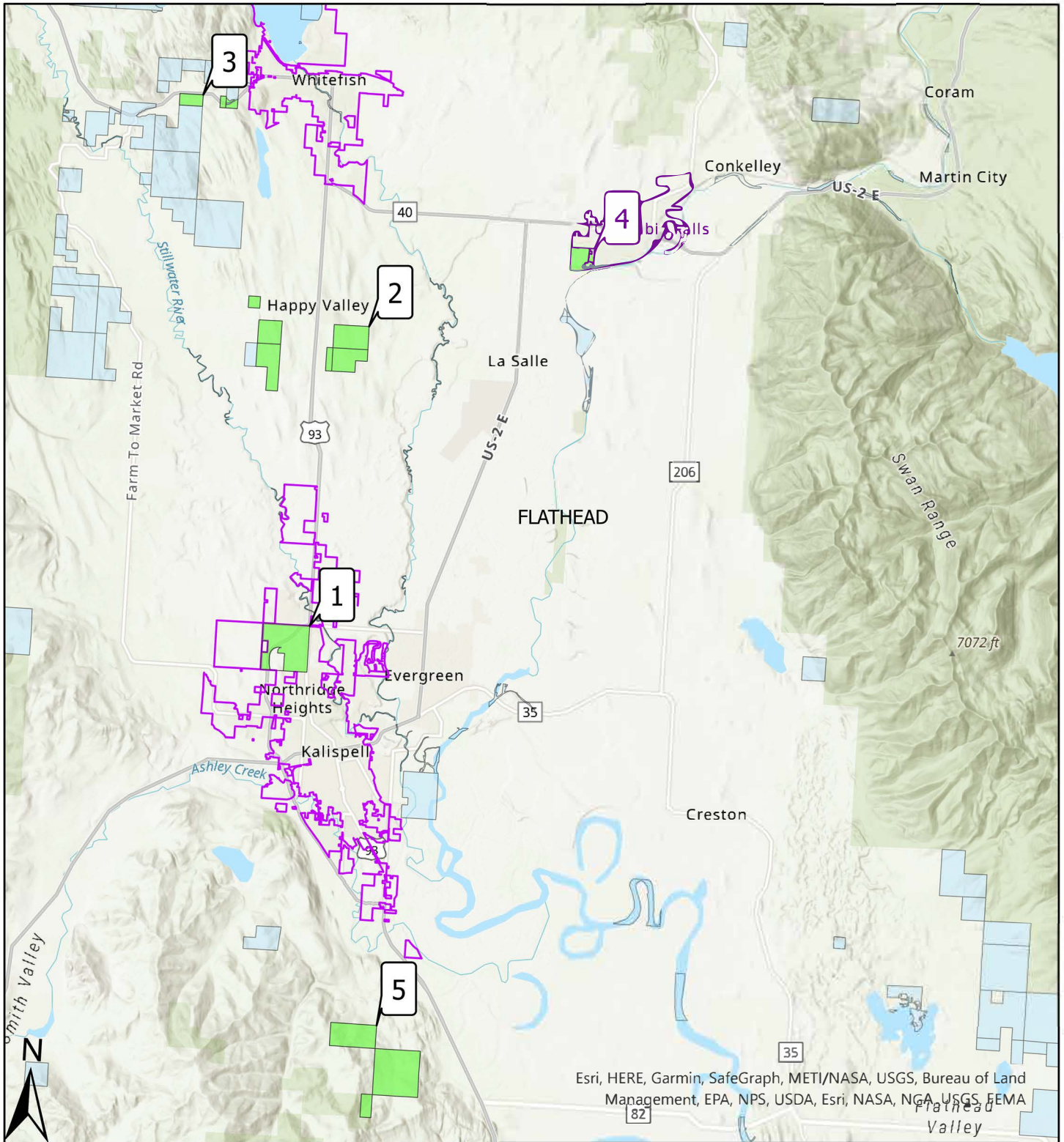
Slope/Terrain: Some steep slopes and coulees.

Proximity to Services: Electrical Adjacent. Approx. 2 miles for city services.

Zoning: A-Agriculture. Within Yellowstone County Zoning Jurisdiction.

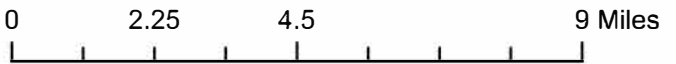
Adjacent Development: Billings landfill facility to the north. Rural residential subdivisions to the south and west.

Trust Lands with Development Potential Kalispell Region



Esri, HERE, Garmin, SafeGraph, METI/NASA, USGS, Bureau of Land Management, EPA, NPS, USDA, Esri, NASA, NGA, USGS, FEMA

- Kalispell Housing Potential
- City Limits
- Other Trust Lands
- MT Counties



Kalispell Area Development Opportunities

1. Section 36:

Moraine Parcel:

Legal Description: Section 36 T28N R22W

Acreage: 33 acres

Distance to City: Within City of Kalispell

Legal Access: Yes, Stillwater Road

Slope/terrain: Relatively flat

Proximity to services: All Utilities adjacent to parcel

Adjacent development: A lot of multifamily dwelling units are being developed in the area; Stillwater Crossing (2021) has recently built/been approved for 192 units. Starling Subdivision (2022) is under construction with less multifamily but also has townhomes in the development.

Zoning: R-4 Residential PUD – Multifamily dwellings are a permitted use.

Timberwolf Parcel:

Legal Description: Section 36 T28N R22W

Acreage: 39 acres

Distance to City: Within City of Kalispell

Legal Access: Yes, Stillwater Road

Slope/terrain: Relatively flat

Proximity to services: All Utilities adjacent to parcel

Adjacent development: A lot of multifamily dwelling units are being developed in the area; Stillwater Crossing (2021) has recently built/been approved for 192 units. Starling Subdivision (2022) is under construction with less multifamily but also has townhomes in the development.

Zoning: R-5 Professional PUD – Multifamily dwellings are NOT a permitted use, but single family, duplexes, and townhomes would be considered a conditional use.

2. Happy Valley:

Legal Description: Sections 26 and 35 T30N R22W and Sections 29 and 32 T30N R21W

Acreage: Multiple parcels. 475 acres on the east side of Hwy 93. 440 acres on the west side of Hwy 93.

Distance to City: Five miles to Whitefish; eight miles to Kalispell

Legal Access: Public Road Access

Slope/terrain: Relatively flat. High water table

Proximity to services: Well/Septic required. Likely engineered septic based on high water table.

Adjacent development: Residential on the east side of Highway 93. Happy Valley Homesites (1964 Subdivision). Suburban Agriculture/Agriculture on the west side with some commercial uses (storage units adjacent to Highway 93).

Zoning: Flathead County planning jurisdiction. All parcels within Whitefish Area Trust Lands Neighborhood Plan – KM – HV Subarea. Zoning varies: No zoning (NA on map) or AG-40.

3. Whitefish West:

Legal Description: Sections 33 and 34 T31N R22W

Acreage: Approximately 140 acres.

Distance to City: Less than one mile west of Whitefish. Outside of city limits.

Legal Access: Yes. Adjacent to Highway 93

Slope/terrain: Forested. At the base of Lion Mountain/Spencer Mountain. Some parts are steep.

Proximity to services: Well/Septic likely required unless City of Whitefish was amenable to annexation.

Adjacent development: Whitefish Trail. Large Tract Residential

Zoning: Flathead County planning jurisdiction. All parcels within Whitefish Area Trust Lands Neighborhood Plan. Beaver – Skyles subarea. Neighborhood plan identifies the area for potential development. Zoning varies: Scenic Corridor; AG-40; or R-1.

4. Veterans' Parcel:

Legal Description: Section 18 T30N R20W

Acreage: Approximately 80 acres

Distance to City: Adjacent to the City of Columbia Falls

Legal Access: Public Road

Slope/terrain: Generally flat

Proximity to services: Adjacent

Adjacent development: Multifamily residential directly to the north of the parcel.

Zoning: CSAG-10. The City of Columbia Falls recently updated their Growth Policy (2019) and at DNRC request, the parcel was designated "Urban Residential" from "Public."

5. Patrick Creek:

Legal Description: Sections 8 and 16 T27N R21W

Acreage: 620

Distance to City: Five miles south of Kalispell

Legal Access: Agency access only

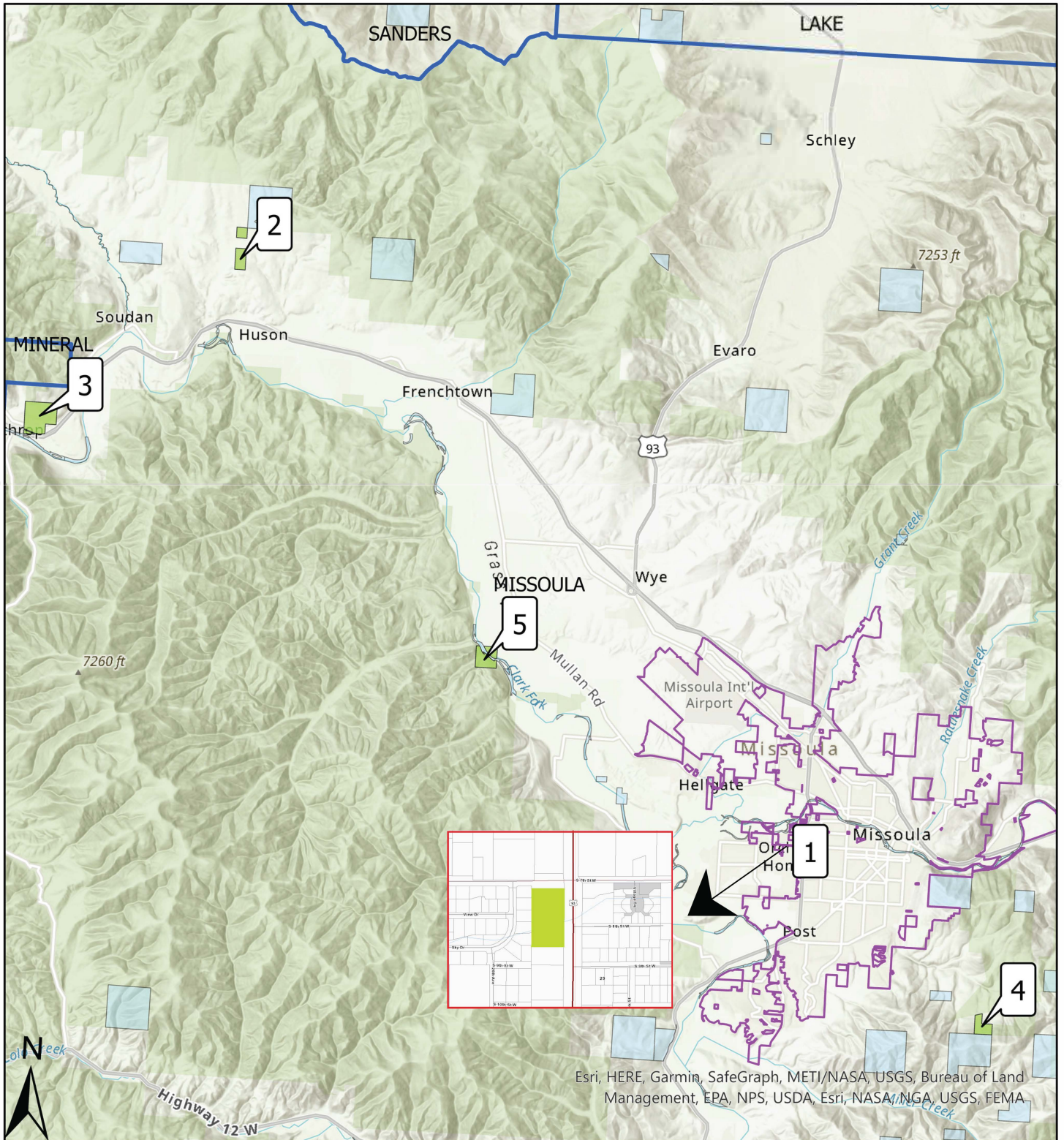
Slope/terrain: Steep and forested. Access is an issue.

Proximity to services: Septic/Well would be required.

Adjacent development: None. Large tract residential.

Zoning: Not zoned

Trust Lands with Development Potential Missoula Region



Esri, HERE, Garmin, SafeGraph, METI/NASA, USGS, Bureau of Land Management, EPA, NPS, USDA, Esri, NASA, NGA, USGS, FEMA

- Missoula Housing Potential
- City Limits
- Other Trust Lands
- MT Counties



Missoula Area Development Opportunities

1. Missoula, MT

Legal description: Section 30 T13N R19W

Acreage: 3 acres

Distance to City: Within City limits

Legal Access: Reserve and 7th Street. Preliminary approach approval off Reserve Street

Slope/terrain: Flat, slight slope on 7th

Proximity to services: Available for connection

Adjacent development: Residential and light commercial

Zoning: B2-2

2. Huson, MT

Legal description: Section 14 T15N R22W

Acreage: 40 acres

Distance to City: 20 miles to Missoula

Legal Access: County Road, Six Mile Road.

Slope/terrain: Flat

Proximity to services: Power and phone, well water unknown in area.

Adjacent development: Rural residential

Zoning: Unzoned

3. Alberton, MT

Legal description: Section 6 T14N R22W

Acreage: 210 acres

Distance to City: 29 miles to Missoula

Legal Access: Yes. Old Hwy 10 runs through the section.

Slope/terrain: Relatively flat with steeper areas being in the northern most part of the section.

Proximity to services: Close to the interstate.

Adjacent development: Existing residences on all sides and a new subdivision is going in to the west.

Zoning: Unzoned

4. Pattee Canyon, Missoula, MT

Legal description: Section 11 T12N R19W

Acreage: 95 acres (only section 11, section 14 is steeper)

Distance to City: Three miles to Missoula

Legal Access: Yes. Larch Camp Rd and Pattee Canyon Rd

Slope/terrain: Slopes from 10%-30%. East parcels have similar topography and contain homes.

Proximity to services: Close to Missoula.

Adjacent development: There are existing residences to the east

Zoning: Minimum lot size of 2 acres and permits single family dwelling and two-family dwelling.

5. Missoula County, MT

Legal description: Section 36 T14N R21W

Acreage: 160 acres

Distance to City: Ten miles to Missoula

Legal Access: Yes. Southside road cuts through the parcel.

Slope/terrain: Southwest of the river the topography is gentle to the west and steeper to the south.

Proximity to services: Close to Missoula.

Adjacent development: There are existing residences further up the southside road.

Zoning: Unzoned