

NRDP Funding Recommendation for the Purchase of the Graveley-Warm Springs Conservation Easements

December 2018

Background and Project Summary

The Natural Resource Damage Program (NRDP) is working with Five Valleys Land Trust (Five Valleys), Montana Fish, Wildlife and Parks (FWP), The Conservation Fund (TCF), and private landowners on a conservation project to protect over 8,200 acres of grassland, wetlands, and forest habitat near Garrison, Montana, by placing permanent conservation easements on the two properties (see attached map). The project is located in a Priority Two Landscape area of the UCFRB Terrestrial Resources Prioritization Plan and would partially implement Section 4.2.4.3 of the *Upper Clark Fork River Basin Aquatic and Terrestrial Resources Restoration Plans* (Restoration Plans).

As stated, this project will place similar conservation easements on two properties. The larger of the two properties is owned by the Graveleys, a long-established ranching family in the UCFRB, who are interested in protecting their 5,166-acre ranch near Garrison. The adjacent property, a 3,110-acre ranch (called NCP Bayou II), is scheduled to be under contract for purchase by TCF in February and then sold to the Graveleys, allowing them to expand their ranching operations. The Graveleys have allowed public hunting on their lands for many years through the FWP Block Management Program, and they are willing to grant hunting access permanently through the conservation easements to be placed on both properties, including on the NCP Bayou II property, which currently does not allow public access.

The properties feature montane grasslands, forestlands, wetlands, and aspen groves that are connected to the broader expanses of wildlife habitat that link to the Garnet Range. Presently, the properties are completely undeveloped, except for two unpaved county roads, providing ranch land and wildlife habitat. The Restoration Plan recognizes the importance of maintaining or improving wildlife species diversity, natural ecological functions, and habitat connectivity in grassland, forest, and riparian ecological systems. The properties are also within a Tier II Terrestrial Focus area for FWP's State Wildlife Action Plan (2015). Two perennial streams run along the properties totaling over five miles in length. The largest stream is Warm Springs, hence the name of Graveley-Warm Springs conservation easement.

A conservation easement on both properties would provide an efficient and cost-effective way to permanently protect the public access and conservation values of the properties, while keeping the land in private ownership and management. Residential development would be limited, restricted to only two home sites, and protecting, in perpetuity, the properties' wildlife habitat and open space values. The conservation easements would also secure public hunting opportunities on the properties. If approved, the public hunting opportunity on the conservation easements would be held and managed by FWP. Complete costs for the conservation easements and grant of public access project would be approximately \$3.5 million.

As indicated in the Restoration Plans: 1) Funding for individual projects within aquatic and/or terrestrial priority areas will be based on cost-effectiveness and cost:benefits; and 2) Each project involving property and/or water rights acquisitions and conservation easements will require a subsequent approval by the Trustee of the proposed transaction once developed in accordance with the Restoration Plans, following consideration of input from the public, Advisory Council, and Trustee Restoration Council.

This document provides the NRDP funding evaluation and recommendations that will be the subject of a 30-day public comment period that will begin on December 10, 2018, and end on January 9, 2019 at 11:59 PM. The Advisory and Trustee Restoration Councils will consider the NRDP's recommendation and public comment in making their final recommendation to the Governor who will make the final funding decision.

NRDP Funding Recommendations Summary

The NRDP recommends funding of this project for approximately \$3.5 million based on the following funding conditions.

- NRDP reviews and approves the conservation easements to ensure that they meet the goals for the Restoration Plans;
- NRDP reviews and approves the title commitments for the two properties;
- TCF successfully purchases the NCP Bayou II property and places a conservation easement on the property for Five Valleys to hold which includes public hunting access.

Land Acquisition Due Diligence Summary

Land transaction due diligence completed to date includes appraisals and baseline inventories. The NRDP has found these land transaction documents to be acceptable. The appraisal of the Graveley property, commissioned by the NRDP and completed in August of 2018, concluded a fair market value of \$4,650,000 with an easement value of 50% or \$ 2,325,000. The appraisal of the NCP Bayou property, commissioned by NRDP and completed in December of 2018, concluded a fair market value of \$2,800,000, with an easement value of 50%, or \$1,400,000. The mineral report, commissioned by Five Valleys, will be completed soon. The title commitment review, approval of final conservation easements, buy-sell agreement, public comment, consideration of the UCFRB Advisory Council and Trustee Restoration Council, and Governor approval for purchasing conservation easements are yet to be completed.

Properties Overview and Project Schedule

The owner of the 4,964-acre Graveley property is the Graveley Family. The adjacent 3,110-acre property the Graveleys propose to acquire is owned by NCP Bayou II (a Connecticut-based company). The Graveleys are partnering with Five Valleys, NRDP, TCF, and FWP to acquire the NCP Bayou II property, protect both properties with conservation easements (totaling 8,276 acres), and secure permanent public hunting access on both properties. The proposed project involves several steps:

- 1) TCF will purchase the NCP Bayou II property in order to hold it while the conservation

easement and funding processes are completed.

- 2) The Graveleys will grant a conservation easement to Five Valleys on their Graveley-Warm Springs property valued at \$2,325,000 (50% of the total fee value of \$4,650,000). UCFRB Restoration Funds allocated to terrestrial resources will be used to fund the purchase of this conservation easement.
- 3) TCF will grant a conservation easement to Five Valleys on the former NCP Bayou II property for \$1,135,000 of UCFRB Restoration Funds allocated to terrestrial resources. This price is \$265,000 less than the appraised conservation easement value, representing a \$265,000 savings to the UCFRB Restoration Fund.
- 4) The Graveleys will utilize the funds from their sale of the conservation easement on the Graveley-Warm Springs property to purchase the NCP Bayou II property from TCF, encumbered with a conservation easement.
- 5) Both conservation easements will meet the goals of the Restoration Plans, including permanent public hunting access on the properties. FWP will assist in developing access plans designed to secure historic levels of access in perpetuity. FWP will also pursue permanent management of hunting access pending FWP's public review process and approval by the Fish and Wildlife Commission.
- 6) The total conservation easement cost for this project from UCFRB Restoration Funds for both properties is expected to be \$3,460,000.

Current Project Status and Easement Terms

The key easement terms for each property (Graveleys and NCP Bayou II) are:

- Permanent public hunting access;
- No subdivision or splits of the property;
- One residence permitted within a set building envelope;
- Cultivation restricted to certain areas of the properties in order to protect grasslands; and
- Grazing, timber management, and other agricultural activities are generally permitted, though management plans will be required under certain conditions to ensure the protection of the conservation values.

Wildlife Habitat Assessment:

NRDP commissioned a wildlife habitat assessment that was completed in November 2018. The assessment concluded the two ranch properties contain a diversity of wildlife habitat and support substantial documented use by a variety of wildlife species. Approximately 86 percent of the combined properties is representative of the highest two crucial habitat ranks indicating the majority of the properties contain important wildlife resources such as food, water, and cover; provide important habitat corridors and connectivity; and likely provide habitat for species of concern. About 85 percent of the combined properties are mapped as winter range for mule deer, 57 percent for elk, 29 percent for moose, and 27 percent for pronghorn.

An FWP biologist has stated the proposed conservation easement would secure habitat protections for a large block of grassland habitat with critical linkage between the Garnet Range to the north and the Flint Range to the south. Wildlife values are high on the properties due to high ranking of crucial habitat throughout. Habitats associated with the proposed conservation

easements include:

- Rocky Mountain Lower Montane, Foothill, and Valley Grasslands, 58%; (species of concern associated with this habitat are Bobolink, Burrowing owl, Ferruginous hawk, Golden eagle, Green-tailed towhee, Loggerhead shrike, and Long-billed curlew).
- Montane Sagebrush Steppe, 23%; (species of concern associated with this habitat are Brewer's sparrow, Golden eagle, Green-tailed towhee, and Loggerhead shrike).
- Rocky Mountain Montane Douglas-fir Forest Woodland, 7%; (species of concern associated with this habitat are Brown creeper, Cassin's finch, Clark's Nutcracker, Evening grosbeak, Flammulated owl, Golden eagle, Great gray owl, Lewis's woodpecker, Northern goshawk, Pileated woodpecker, Varied thrush, Pacific Wren bats, and small mammals).
- Riparian Areas, 2%; (species of concern associated with riparian areas are Western toad, Great blue heron, Bald eagle, Pacific wren, bats, small mammals, and songbirds).

Brock Creek forms nearly 2.8 miles of the southwestern boundary of the Graveley Ranch along Brock Creek Road. The perennial stream enters the Clark Fork River approximately 0.1 mile downstream of the Graveley Ranch. Warm Springs Creek (near Garrison) forms the boundary between approximately 2.5 miles of the Graveley and NCP Bayou II properties. Warm Springs Creek, a perennial stream, enters the Clark Fork River approximately 0.7 miles downstream of the NCP Bayou II property. Both streams support populations of brown and westslope cutthroat trout.

Project Evaluation

Public Access: Protection of the Graveley and NCP Bayou II properties will expand on, improve, and secure public access in perpetuity. The existing access to the properties is from public roads that are adjacent to or route through the properties. Access to the west side is gained from the Brock Creek Road which begins at the I-90 Phosphate exit. Access further to the east is from the Warm Springs Creek Road which begins a few miles west of Garrison. The Graveley property is presently enrolled in the Block Management program for hunting, but that is on a year-to-year basis and is not perpetual. Hunting is not presently allowed on the NCP Bayou II property. Also, 1,600 acres of State Trust lands and some BLM lands will have significantly greater public access with the conservation easements. Given the proximity to Interstate 90, opportunities for hunting recreation will be maximized.

Cost-Benefit Relationship: NRDP contracted Westech Inc. to prepare a Baseline Documentation Report that describes the natural resource and public recreational benefits of this project. The combined 8,276 acres are identified as Priority Two terrestrial areas in the Restoration Plans and consist of primarily native intermountain grasslands and conifer forests that provide habitat for a variety of game and non-game species. Both ranches will be available to public access for hunting in perpetuity which is highly valuable for FWP to manage game animals and provide opportunity for the public. The conservation easement for the NCP Bayou II property is being secured at a price that is \$265,000 less than the appraised conservation easement value,

representing a saving to the UCFRB Restoration Fund. Much of the uplands areas are important big game winter range, primarily for mule deer, elk, and antelope. Numerous other species have been documented on, or near, the property in the Montana Natural Heritage Program database, which are listed in Resource Evaluation document. Protecting these properties fits well with the Garnet priority landscape goals by conserving native habitats, retaining and enhancing native shrub grasslands, enhancing riparian area conditions, and providing for wildlife related recreation. Because of the large habitat size of over 8,200 acres, significant wildlife connectivity, and superior vegetation quality and diversity for wildlife that will be protected, this project ranks high in the NRDP/FWP land acquisition ranking. Also, given the substantial natural resource and recreational benefits the project offers and the conservation easement value of \$3.5 million, the NRDP considers the project to have a favorable cost-benefit relationship.

Cost-Effectiveness: The Baseline Documentation Report adequately justifies the reasons for and benefits of protecting the resources on these properties in perpetuity. As stated therein: “The Graveley Ranch and NCP Bayou II properties contain a diversity of wildlife habitat and supports substantial documented use by a variety of wildlife species.” The conservation easements accomplish the goals of the Restoration Plans by protecting grassland, shrub-steppe, riparian, and conifer habitats in the UCFRB, by replacing lost hunting and other wildlife-related outdoor recreational opportunities through protecting wildlife habitat and by ensuring public access to these wildlife resources. Because of the significant benefits as described herein, this project would cost-effectively accomplish the Restoration Plans goals.

Public Support: Following the conclusion of a 30-day public comment period on this proposal, the NRDP will provide the public comment and the NRDP’s draft response to public comment to the Advisory Council and Trustee Restoration Council before these councils make their funding recommendations.