MONTANA SAGE GROUSE
HABITAT CONSERVATION PROGRAM

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Public Scoping Notice

Sage Grouse Stewardship Account Grant Application

Proposed Schultz Ranch/Gran Prairie Ranch 25-Year Term Lease/Restoration

June 6, 2019

Dear Interested Party:

The Montana Sage Grouse Habitat Conservation Program (Program) is soliciting public scoping comments on a grant application submitted to the Montana Sage Grouse Oversight Team (MSGOT) for funding from the Montana Sage Grouse Habitat Stewardship Account.

The purpose of the Stewardship Account grants is to provide competitive grant funding and establish ongoing free-market mechanisms for voluntary, incentive-based conservation measures that maintain, enhance, restore, expand, and benefit sage grouse habitat and populations on private lands. The majority of Stewardship Account funds must be awarded to projects that generate mitigation credits, which MSGOT makes available to developers to offset the residual impacts of development through compensatory mitigation after developers have already implemented avoidance, minimization, and reclamation efforts.

The Program invited submission of complete applications by May 13, 2019. The Petroleum County Conservation District submitted a grant application request for funding to support a payment for a 25-year term lease and additional restoration projects on the Schultz Ranch/Gran Prairie Ranch (Schultz-Gran Prairie Ranches). A small part of the project area is in Fergus County. Petroleum County Conservation District is an agency/organization eligible to apply for Stewardship Account grants MCA §§ 76-15-101 et seq., MCA §76-22-110(3).

Term leases are similar to perpetual easements in that the landowner receives payment in exchange for voluntarily not exercising rights to develop certain surface uses of the property (e.g. subdivision, conversion to crop land). Term leases differ from perpetual conservation easements in that term leases are for a fixed number of years only, and the landowner decides the number of years or duration of the lease. At the expiration of the term, the lease expires, and the landowner

is free to exercise those rights once again. The minimum lease duration is 15 years. Here, the landowner has selected a duration of 25 years.

The Schultz-Gran Prairie Ranches are located in the Yellow Water Triangle area southwest of Winnett. The property is adjacent to the King Ranch, which is the subject of another term lease application submitted by Petroleum County Conservation District (30-year lease on 11,073 acres). The proposed Schultz-Gran Prairie Ranches lease would include 5,624 acres.

In addition to the term lease, Schultz-Gran Prairie Ranches and the Petroleum County Conservation District propose to undertake additional restoration on lands that would be included in the lease. Restoration efforts entail removing conifers in four areas on the ranch and reseeding in one area, totaling 73 acres of restoration. If selected for funding, the restoration work costs would be cost-shared with NRCS, and those lands would be included in the term lease.

The Schultz-Gran Prairie Ranches are managed for livestock production through a deferred grazing rotation system. In addition to the deeded lands of the ranch, the Schultz-Gran Prairie Ranches lands are intermingled with U.S. Bureau of Land Management Lands and State Trust Land in a checkboard fashion. Schultz-Gran Prairie Ranches hold current grazing permits on these lands within the overall project boundary. The private, state, and federal lands are managed holistically through the a rotational grazing system.

The Schultz-Gran Prairie Ranches proposed lease/restoration lands have 36 active sage grouse leks within 12 miles, 21 of which are located within eight miles. Eleven leks are located within four miles and four leks are located within two miles. See figures below.

MSGOT and the Program are required to apply the current designated Habitat Quantification Tool (HQT) to any project that is selected for funding from the Stewardship Account. MCA § 76-6-109(4). The HQT is the scientific method used to evaluate vegetation and environmental conditions related to quality and quantity of sage grouse habitat and to quantify and calculate the number of credits created by a conservation project. MCA § 76-6-103(9). MSGOT approved the current version of the HQT and accompanying Policy Guidance Document in October, 2018.

The HQT considers the many biophysical attributes of Greater Sage-grouse seasonal habitats to estimate habitat functionality across multiple spatial and temporal scales. The HQT also accounts for existing human disturbances (e.g. roads, cropland, energy development, etc.). These measures of habitat, expressed as functional acres, are used for calculating conservation benefits (i.e., credits) from mitigation projects. Using habitat quality, expressed as functional acres, provides a common "habitat currency" that can be used for both credit and debit projects to ensure accurate accounting of habitat gains and losses and allows comparisons across projects using a common metric that is calculated in the exact same way.

The HQT starts with a baseline map of habitat quality, or presently existing functional acres on the landscape. Next, the HQT calculates the number of functional acres that would be created (or gained) because of the proposed 25-year term lease and restoration efforts. Applicable policy

modifiers are applied, based on the number of functional acres gained and calculated by the HQT. Once a conservation project is implemented, the total functional acres created (after application of policy modifiers) is converted to credits at a 1:1 ratio.

High HQT scores correspond to areas of high quality sage grouse habitat and are shown in warm, red colors on HQT maps. These will typically be areas with high levels of intact sagebrush, good brood-rearing habitat, high densities of breeding male sage grouse (i.e., many leks with strong numbers of males displaying on them), and low levels of human disturbance. Higher numbers of functional acres gained translates to more credits created per physical acre of conservation.

For purposes of considering the number of credits that might be created by each conservation project proposed for funding from the Stewardship Account, the Program has run the HQT using the spatial data provided by the Petroleum County Conservation District (the grant applicant) for the proposed 25-year term lease and the individual restoration projects that would also occur within the boundary of the proposed lease. Results do not include non-deed lands within the perimeter of the proposed term lease/restoration area (i.e. federal and state lands) since the lease terms would not be applicable to public land inholdings).

The HQT results show that the 25-year term lease on the Schultz-Gran Prairie Ranches would conserve high quality habitat. The functional acres gained per physical acre of the project per year for is 1.201. Higher numbers indicate more functional acres would be conserved and the habitat is of higher quality for the physical acres included in the proposed project. See the HQT figures below.

A 25-year term lease on the Schultz-Gran Prairie Ranches would generate 181,809.75 total credits. This equates to 1.293 credits created per physical acre of the project per year, after application of a 10% multiplier for newly-created functional acres. The 40% baseline adjustment is not applied to term leases less than 31 years. Higher numbers indicate more credits are created per year for each physical acre included in the proposed project. Higher numbers are more favorable, and more credits would be created per dollar expended from the Stewardship Account.

The estimated payment for a 25-year term lease/restoration effort is $590,881. The full amount of the lease would be paid using Stewardship Account funds through a one-time payment. The costs to implement the restoration work could be either a one-time payment or reimbursable as they are implemented. Petroleum County Conservation District is also requesting an estimated $20,000 in project-related costs that are directly related to the purpose of the grant to create mitigation credits. Additional project costs include doing the required annual monitoring for compliance with the lease terms, preparing and submitting an annual monitoring report, and the costs associated with the key function required for all credit sites in the Montana sage grouse mitigation system. The final project costs for the duration of the 25-year term lease/restoration project will be finalized later this summer and are not expected to exceed $30,000.

The U.S. Fish and Wildlife Service identified the following threats of habitat loss and fragmentation in this part of Montana: conversion of sagebrush grassland to cropland, mechanical and chemical

sagebrush control, improper livestock management, and energy development. In the preceding 35 years, an estimated 40-50,000 acres of native range has been plowed in southern Petroleum County within 20 miles of the Schultz-Gran Prairie Ranches.

The terms of the 25-year lease are expected to permit the following activities, consistent with the habitat values protected by the lease: current agricultural practices and production of livestock, haying and cultivation of previously cultivated land. Lands where the Schultz-Gran Prairie Ranches could envision adding an additional building or corral were excluded from the lands used to calculate HQT scores/credits and that would be covered by the lease.

The terms of the lease are expected to prohibit the following: subdivision, industrial and commercial surface uses for wind or solar development, gravel mining other than small scale use to maintain existing roads on the ranch, new road construction, and land conversion to cultivated crops.

If selected for funding, MSGOT would own the credits, but Petroleum County Conservation District would hold the 25-year term lease. The requirements for mitigation credit sites would be fulfilled through the combined actions of the landowner, Petroleum County Conservation District, and MSGOT. Petroleum County Conservation District would monitor the property independently and will work with the landowner to monitor the lease annually for 25 years. Petroleum County Conservation District will provide annual monitoring reports to the Program.

The source of funds necessary to provide the financial assurances to restore this credit site should the habitat (and thus credits) be impaired through breach of the lease terms or an "act of God" event like a wildfire has not yet been determined. Options include reliance on existing or future grant opportunities to cover the restoration costs, obtaining an insurance policy or bond, or relying future agency cost-share opportunities. Research into various options, costs, and funding sources is ongoing. MSGOT's reserve account would be used to replace credits. Additionality would be met by protection of the habitat for the duration of the lease (i.e. 25 years) and avoiding loss of habitat that might not otherwise be legally protected from surface development, cultivation, or subdivision. Duration and durability would be met for the 25-year term because the proposed project would protect habitat according to the terms of the lease. The site is appropriate given its location in a Core Area and the high HQT results. The site provides suitable breeding, nesting, and brood-rearing habitat.

In accordance with the Montana Environmental Policy Act, public comment and concerns about the project and potential environmental impacts must be considered and analyzed in an environmental assessment. The assessment will be available for public review and comment in the summer of 2019. MSGOT is expected to select grant recipients in the fall of 2019.

Interested parties have until June 24, 2019 to submit concerns or comments relating to this project. Mail written comments to Carolyn Sime, Sage Grouse Habitat Conservation Program, 1539 11th Ave, Helena, MT 59620. Written comments must be received on or before June 24, 2019.

Submit comments electronically and attach documents through the public comment web application tool located on the MSGOT webpage at https://sagegrouse.mt.gov/Team. Electronic comments must be received by 8:00 a.m. on June 24, 2019.

Habitat Preservation and Restoration on Schultz Ranch - Surrounding Public Lands

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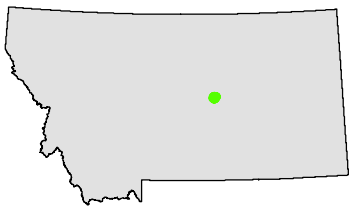
- Project Area
- Proposed Project Boundary
- County Government
- US Bureau of Land Management
- US Fish and Wildlife Service
- State of Montana
- Montana State Trust Lands
- US Forest Service



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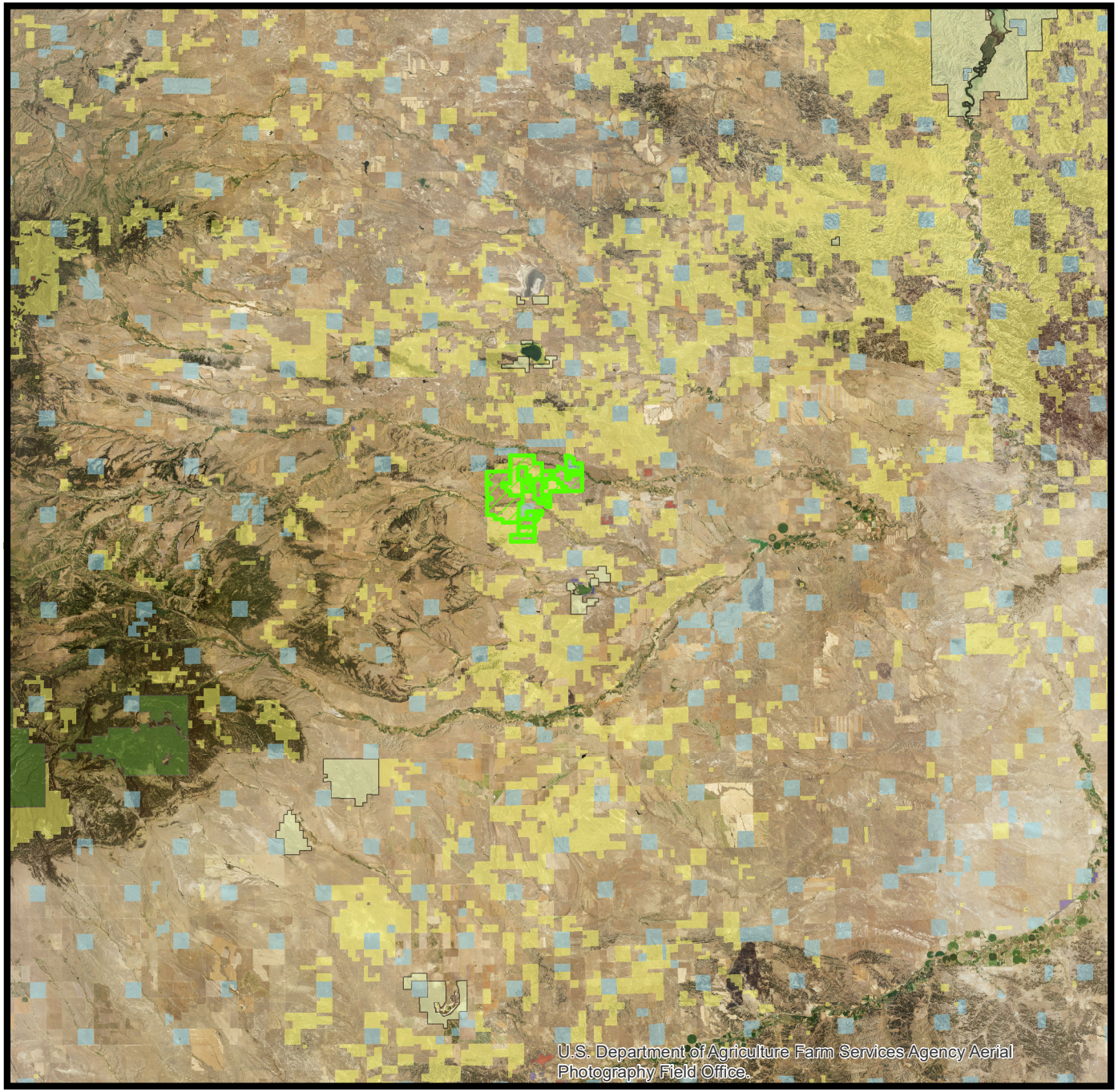

0 10 20 Miles

Project Information:

Map Date: 28 May 2019
Path File: G:\CARD\10 Sage Grouse HCP\ Grant Program\Second Cycle 2019\Complete Applications due May 13\ArcMapFiles

Service Layer Credits: U.S. Department of Agriculture Farm Services Agency Aerial Photography Field Office.

Habitat Preservation and Restoration on Schultz Ranch - Aerial Imagery of Project Area

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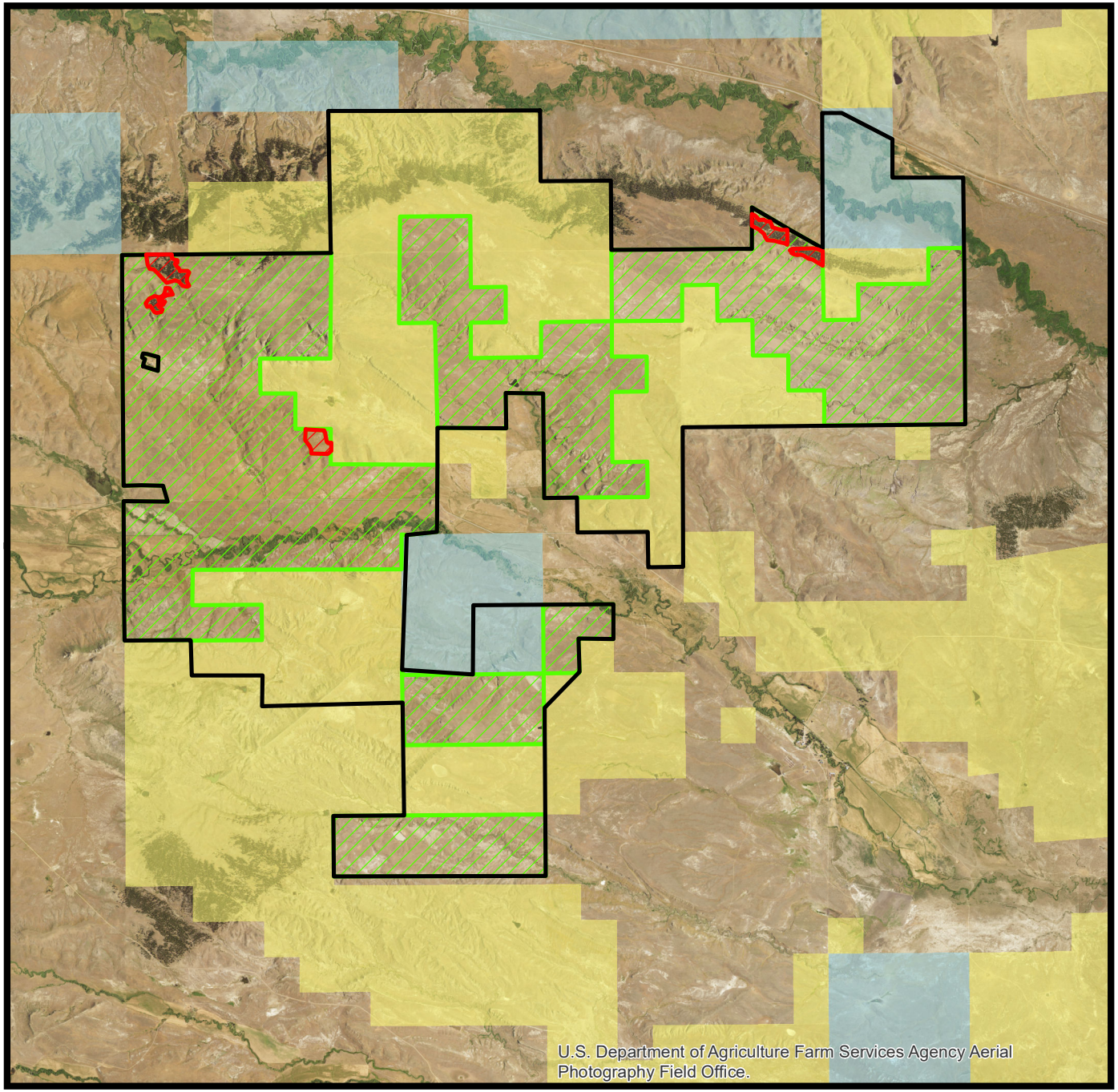
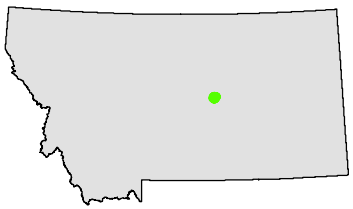


- Project Area
- Project Restoration
- Proposed Project Boundary
- US Bureau of Land Management
- Montana State Trust Lands



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Project Information:

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Service Layer Credits: U.S. Department of Agriculture Farm Services Agency Aerial Photography Field Office.

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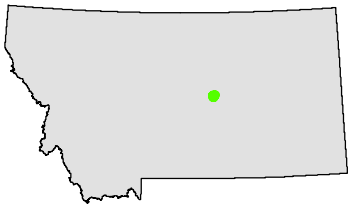
Percentage Conserved Lands within 4 Miles of the Schultz Ranch Conservation Lease and Restoration Project (Petroleum County Conservation District)

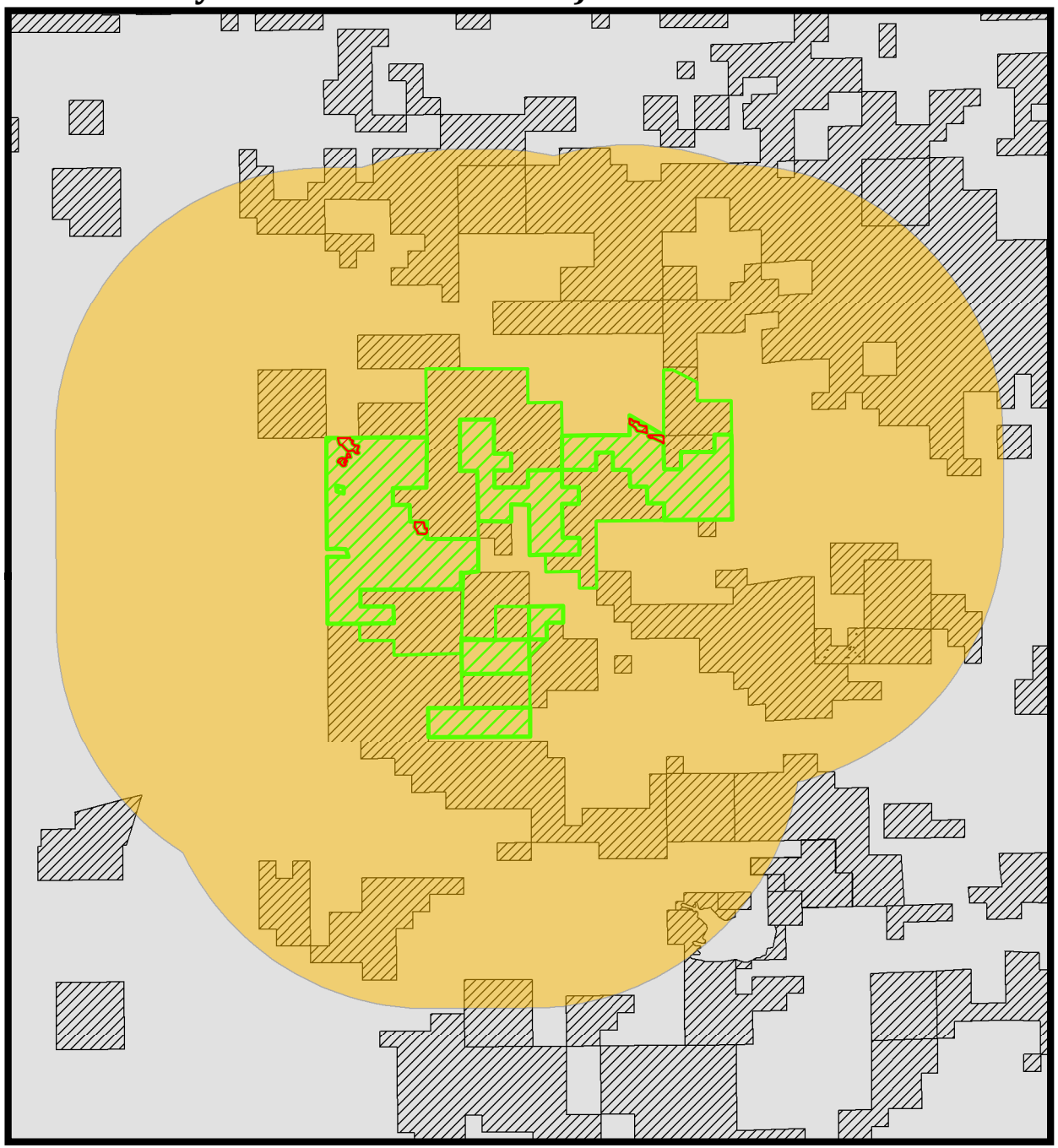
Project Information

- Proposed Project Boundary
- Direct Project Footprint
- Proposed Restoration
- Conserved Lands

Percent of Conseved Lands within 4 Miles of Project Area

- 0% - 10%
- 10.1% - 20%
- 20.1% - 30%
- 30.1% - 40%
- 40.1% - 50%
- 50.1% - 60%
- 60.1% - 70%
- 70.1% - 80%
- 80.1% - 90%
- 90.1% - 100%





Map Information:

Map Date: 5 June 2019

File Path: G:\CARD\10 Sage Grouse HCP\ Grant Program\Second Cycle 2019\Complete Applications due May13\ArcMap _Scratch_Folder\4MileConservedLands

Land Management Dataset from:http://mtnhp.org/stew.asp

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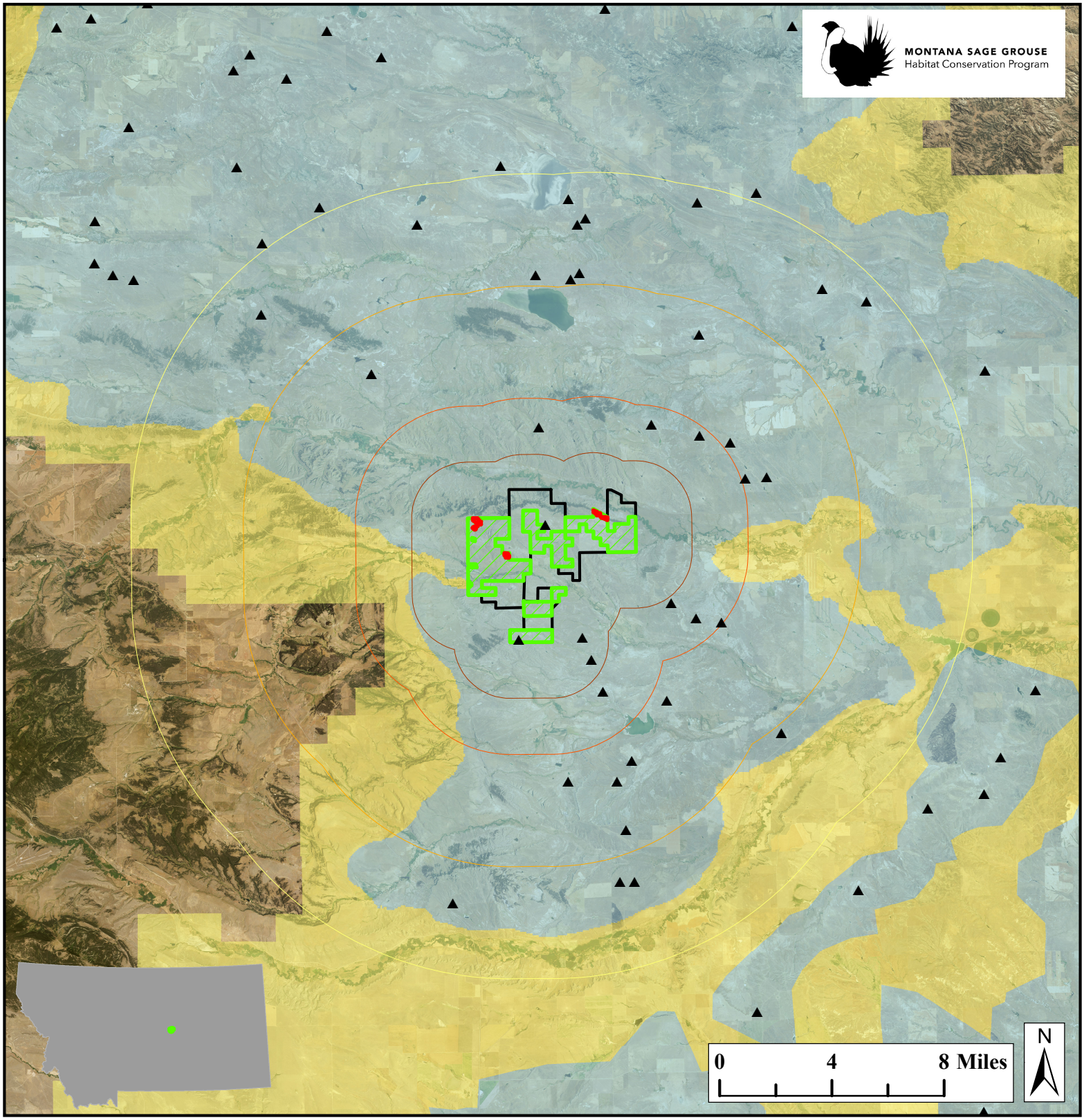
0 5 10 Miles

Habitat Preservation and Restoration on Schultz Ranch - Lek Proximity



Project Information:

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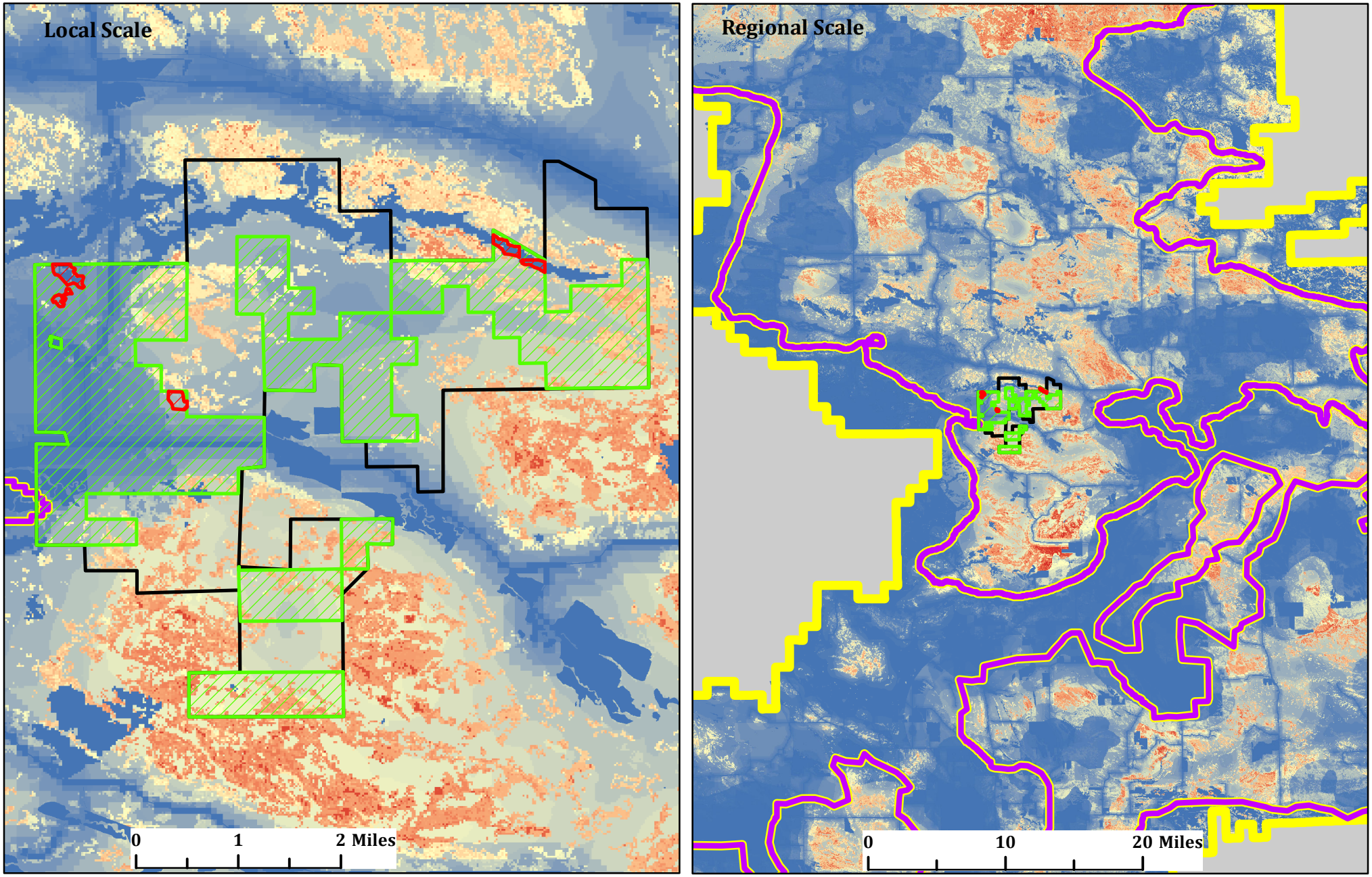
Service Layer Credits: U.S. Department of Agriculture Farm Services Agency Aerial Photography Field Office.

- Project Footprint
- Project Restoration
- Proposed Project Boundary
- Core Area
- General Habitat
- Connectivity Area
- 2 Mile Buffer
- 4 Mile Buffer
- 8 Mile Buffer
- 12 Mile Buffer
- Sage Grouse Leks

 # Leks Within Buffer

2 Mile: 4
4 Mile: 11
8 Mile: 21
12 Mile: 36

HQT Results: Habitat Preservation and Restoration on Schultz Ranch



Project HQT Metadata

HQT Date: 29 May 2019

Years Maintained: 20-25 Years

HQT Pixel Value

High

Low

Project Direct Impact Footprint

Project Restoration

Proposed Project Boundary

Core Area

General Habitat

N

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