

RE-EVALUATION OF FINDING OF NO SIGNIFICANT IMPACT (FONSI)

PROPOSED DEVELOPMENT OF TRACT XNJR-3PT (NICKAJACK SHORES)

NICKAJACK RESERVOIR MARION COUNTY, TENNESSEE

TVA is proposing to sell a portion of tract XNJR-3PT (Tract 3) on Nickajack Reservoir at public auction restricted to its three allocated uses (commercial/public recreation and residential) under TVA's Nickajack Reservoir Land Management Plan. The impetus for this proposal is a request from Thunder Enterprises to sell the property for a planned development. Its development would include a mix of residences and commercial/public recreational facilities such as a golf course and a marina. If TVA decides to proceed with this action, Thunder Enterprises is expected to bid at the public auction, but the property could be sold to some other qualified bidder.

Based on the request from Thunder Enterprises and information from local officials, the foreseeable use of Tract 3 is a mixed-use development that includes some number of private residences. In general, only the property located above the 640-ft contour would be sold and TVA would retain shoreline property located below this elevation to the reservoir normal pool level (634 msl). Minor deviations from the 640-ft contour may be included in the property sale to accommodate a proposed development or for TVA to protect and retain identified resources.

TVA has determined that making this property available restricted to its allocated uses would not significantly impact the human environment. This is based on the 1996 Environmental Assessment (EA) and a 2005 supplement to this EA. The EA and Supplemental EA are attached. This determination takes into account the environmental protection measures that are identified in the supplement and attached hereto. If the property is sold, the successful bidder will be required to comply with these measures.

Background

TVA considers the potential environmental impacts of actions it proposes to take in accordance with the National Environmental Policy Act (NEPA) and implementing procedures. In December 1996, TVA completed a Final EA for a proposal to add residential and commercial recreation as permissible uses for a 620-acre (251-ha) portion of Tract XNJR-3PT (Tract 3). The EA also evaluated allocating the 40-acre (16-ha) Tract XNJR-4PT (Tract 4) for commercial recreation and the 498-acre (202-ha) Tract XNJR-1PT (Tract 1) for wildlife management.

Based on the 1996 EA, TVA determined that reallocating and using the three tracts as proposed, consistent with identified environmental protection measures, would not significantly impact the environment. TVA issued a FONSI on January 21, 1997. The three tracts were reallocated by the TVA Board. Two years later, TVA decided not to go forward with the specific development proposal under consideration at that time. After receiving the Thunder Enterprises proposal, TVA decided to supplement the 1996 EA to examine whether any new information was available regarding the site that could affect the 1996 analysis of environmental impacts.

One factor that has changed since the issuance of the 1996 EA is that Thunder Enterprises offers to offset the loss of public property under TVA's control with other private property that would be transferred to TVA. TVA is requesting that other potential bidders for Tract 3 also identify offsetting or "exchange" property that the bidder would transfer to TVA. The availability of exchange property can provide wildlife habitat, wetlands, and publicly accessible land, and this supplemental EA considers these enhanced attributes. The Supplemental EA identifies generic acceptability criteria (see Appendix D) that TVA would utilize to evaluate any identified exchange property from an environmental standpoint.

Because TVA has received a specific proposal from Thunder Enterprises (see Appendix C, Supplemental EA) including proposed exchange lands, Appendix D specifically applies the generic acceptability criteria to those exchange lands. If someone else is the successful bidder, assuming TVA decides to proceed with auctioning the property, the generic acceptability criteria would be applied to that proposal in a similar manner. Thunder Enterprises also proposes to fund the development of an interpretive trail on the adjacent Little Cedar Mountain (Tract 5). TVA would require a different successful bidder similarly to fund such development that would include a parking lot, educational kiosk, interpretive trail, directional signs, and an interpretive overlook sign on Tract 5.

A description of a development concept plan, "Nickajack Shores," from Thunder Enterprises is found in Appendix C. Under this plan, approximately 572-acres of Tract 3 would be developed with mixed uses. Included in this concept plan are private residences, golf course, wellness center, bass lake, marina, and a hotel. Any one or all of these components would be consistent with the allocated uses of Tract 3. Thunder Enterprises, if the successful bidder, may actually develop this property with a different mix of features. The EA, as supplemented, brackets the kinds of impacts that could be associated with developments with varying features with the restriction that any development must conform to the allocated uses for Tract 3 and the identified environmental protection measures.

Environmental Review Process and Issues

In November 1995, TVA provided public notice of the proposed land allocation changes for the Nickajack Reservoir tracts and notified interested state and federal agencies of the proposed action. In April 1996, TVA issued a draft EA for public review and

comment and held a public meeting on April 26, 1996, at Marion County High School to receive public comments. Public comments received either supported the proposed development or opposed development of this area. TVA considered and responded to all comments received, either by modifying the 1996 EA or by a separate response in an appendix to the EA (Section 6).

For the Supplemental EA, TVA provided an initial public notice and scoping comment period in December 2004 and released the Supplemental EA for public comment in May 2005. The proposal has received extensive publicity throughout the TVA region. Approximately 225 comments were received in response to the December 2004 public notice and meeting. Approximately half were in favor and half were in opposition. Those opposed raised comments related to wildlife, hunting and habitat loss, sensitive plant and animal species, and American Indian concerns. Other comments expressed concerns about the use of properties taken by eminent domain. Approximately 332 comments were received in response to the Draft Supplemental EA. These comments raised concerns similar to earlier comments, with about 75 percent of the comments in opposition to the proposal. In response to these comments, TVA conducted additional analyses of potential impacts on rare plants, bats, and cultural resources.

In a comment letter on the Supplemental EA, the U.S. Fish and Wildlife Service (USFWS) expressed concerns about the proposed reduction in the shoreline buffer and recommended that a cave gate be constructed on Little Cedar Mountain Cave to protect bats. In response, TVA conducted an additional site visit to Little Cedar Mountain Cave and proposed additional monitoring to re-confirm TVA's conclusions that the cave was only used on a limited basis by a small number of bats. With the additional monitoring, TVA indicated its opinion that the proposed 50-foot buffer zone would be adequate considering the foraging range of the gray bat (up to 32 km) and the abundance of foraging habitat within this foraging range. By letter of July 28, 2005, the USFWS concurred with this finding.

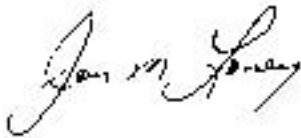
TVA determined that the proposed sale and resulting development of Tract 3 would have no effect on cultural resources. Although cultural resources are not expected to be found on the tract, TVA and the Tennessee State Historic Preservation Officer at the request of the American Indian Tribes have entered into a Memorandum of Agreement addressing any inadvertent discovery of cultural resources during development activities. This provides a further safeguard against impacting these resources.

During field investigations, a great blue heron colony containing 32 nests was discovered on a forested portion of Tract 3, just east of the campground. TVA would transfer this portion of Tract 3 but would prohibit any disturbance of the six acres, in order to protect the heron colony. However if, in the future, it is determined by TVA that the blue heron colony has abandoned the site for two consecutive years, then the prohibition against disturbance would be lifted. Abandonment by the heron colony would be determined by TVA wildlife biologists.

Determination

TVA has reviewed and considered a wide range of opinions and comments about this proposal. Based on the EA and Supplemental EA, and the attached environmental

protection measures, TVA has determined that selling Tract 3 and its subsequent development would achieve important economic benefits while avoiding or minimizing potential environmental impacts. This includes specifically the development concept proposed by Thunder Enterprises. Obtaining exchange property would further reduce the impacts of a development proposal. This not only helps mitigate potential impacts on a regional basis, but also can achieve and enhance important public and natural resource values, depending on the attributes associated with exchange properties. Accordingly, we reaffirm the conclusion in the 1997 FONSI that making TVA Tract No. XNJR-3PT available for public recreation with a residential development component would not be a major federal action significantly affecting the environment. Accordingly, an environmental impact statement is not required.



September 20, 2005

Jon M. Loney, Manager
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Date

Commitments

Nickajack Shores Development

The following development commitments will be required of the successful bidder for any development upon Tract 3 (XNJR-21). TVA evaluated the proposal to auction Tract 3 based on the premise that any potential developer would develop the property for mixed-use purposes, i.e., residential and recreation, as allocated in the Nickajack Land Plan.

1. The successful bidder shall develop Tract 3 for residential development, commercial recreation, and public recreation purposes.
2. The successful bidder shall invest a minimum of \$4 million within five years from time of auction on a minimum of one of the following commercial recreation amenities to be built on Tract 3: marina, dry stack storage, golf course amenity, clubhouse/lodge/health club, rental cabins, tennis and swimming complex, equestrian stables and riding trails, or other agreed upon commercial recreation amenities. The successful bidder will also be required to commit a minimum of 25 percent of the capacity of the amenities chosen to meet the minimum investment to members of the public other than residents of the development.
3. As part of the compensation for Tract 3, a successful bidder shall provide TVA with exchange properties deemed acceptable. General acceptability requirements for any exchange properties are identified in Appendix Table D-1. In addition, the successful bidder may have to undertake activities on the exchange properties to make them acceptable to TVA.

The following environmental safeguards are proposed if Tract 3 is made available for purchase. These mitigation measures update and replace the mitigation measures found in the 1996 EA.

1. To ensure the successful bidder has incorporated the required mitigation commitments, TVA will require a final site development plan to be submitted to TVA for approval prior to any construction on Tract 3. TVA will evaluate the development plan to determine consistency with these mitigation measures.
2. Shoreline buffer zones will be maintained along the Nickajack Reservoir shoreline. The width of these zones may vary depending on slope and resource condition; however, in no instance will they be narrower than 50-feet as measured landward from the normal summer pool elevation (634 msl). Limited management of vegetation within this zone (e.g., removing nuisance species, poison ivy, etc.) and limited thinning of small trees (under three inches in diameter) may be allowed if it is consistent with a Vegetation Management Plan approved in advance by TVA.
3. As described in the 1996 EA, fringe and aquatic bed wetlands would be protected by requiring preparation and implementation of a detailed shoreline

management plan for shoreline areas that would be disturbed by construction of a marina and associated facilities. This plan would identify strategies for avoiding or appropriately mitigating wetland impacts, if any. TVA would require a 100-foot vegetation management zone, temporarily marked with standard orange vinyl construction type fencing, be maintained surrounding the two sink hole jurisdictional wetlands located on Tract 3. No clearing or removal of vegetation would be permitted within the vegetation management zone.

4. A final site development plan will provide for vegetative screening to reduce the visual impacts to historic structures in the vicinity of the proposed development. These plans will be reviewed and approved by TVA in consultation with the State Historic Preservation Officer (SHPO).
5. The Shellmound Recreation Area facilities (Table 2-3) will be relocated to a site just downstream of its current location. Public amenities will be replaced as proposed by the applicant and listed in Table 2-4 of the Supplemental EA. The new recreation facilities will be developed prior to eliminating the current Shellmound Recreation Area.
6. Visual impacts from development of Tract 3 will be minimized by adhering to use of lighting equipped with full cut-off optics throughout the development.
7. Temporary orange construction fencing will be placed around archaeological site 40MI192 in order to protect the site from damage during construction phase of development. This fencing will incorporate both the site and a 100-foot buffer.
8. To avoid potential impacts to sensitive (natural, cultural, ecological) resources on Tract 5 from adjacent community development, an interpretive trail with signage will be used to direct recreation users away from sensitive resources. TVA will require the successful bidder of Tract 3 to fund the development of the following: a short access road from Shellmound road to a 16 space paved parking lot and trail head access point to be located on TVA property, an educational kiosk, interpretive trail (approximately 3.2 miles) with directional signs, gating one small pit cave, and an interpretive overlook sign. Interpretation and education about geology, scenic qualities, ecology, and regional Native American occupation will be offered to the general public through self-guided literature and signs. In addition, TVA will pay for a Phase I Archaeological Survey to be conducted along the trail corridor and any significant resource will be avoided and/or protected. This protection will be done in consultation with the SHPO and any other consulting parties.
9. Unless a golf course is identified for along the border between Tracts 3 and 5 that would provide an open space buffer, a 100-foot vegetated buffer zone shall be established along the length of the border between Tracts 3 and 5. This buffer would mitigate the impacts of visual aesthetics to the natural area and help prevent the introduction of invasive exotic plants onto Tract 5.

10. For protection of Little Cedar Mountain Cave on Tract 5, TVA will (1) place signs, as described in the Gray Bat Recovery Plan, in the entrance of the cave indicating the cave is closed to human entry between March 1 and November 1; (2) monitor bat usage at the cave annually for three years; and (3) monitor the temperature profile and levels of human disturbance at the cave for three years.
11. The applicant will comply with all provisions of the Memorandum of Agreement dated August 3, 2005.
12. Any golf course developed on Tract 3 will follow guidelines in the Tennessee Handbook for Golf Course Environmental Management.
13. Existing drainage stream channels will be stabilized by the successful bidder to carry the post-development discharge without significant erosion.
14. The developer will use public utility systems (wastewater and water supply) connected to treatment plants offsite. No septic tanks will be allowed on Tract 3.