

Department of Natural Resources and Conservation
LAND BANKING REPORT
July 2016

Background:

HB 223 (77-2-361 through 367, MCA) passed the Legislature in 2003 with bipartisan support, including unanimous support from the Land Board. HB 223 enacted a Land Banking program whereby the proceeds of trust land sales would be placed in a special land banking account which could only be used to acquire other real property interests (land, easements, or improvements. In 2009 the Legislature passed HB 402, removing the sunset and capping the number of acres that could be sold through Land Banking at 250,000.

Statute requirements:

- Limits sale of land to 250,000 acres
 - 75% of the 250,000 acres must be isolated land
 - Limits sales to 20,000 acres until replacement properties were purchased
- Replacement land must generate as much or more revenue than the land sold
- The Department is required to provide a report to the Environmental Quality Council prior to each regular legislative session, which describes the results of the Land Banking program in detail.

Goals of the program:

- Increase public access to state trust land
 - 185,413 acres have been nominated for sale
 - 69,350 acres have been sold, 83% were isolated
 - 67,810 acres have been purchased, all are legally accessible with recreational opportunities
- Improve the investment portfolio of the beneficiaries by diversifying land holdings
 - lands sold generated \$258,423 annually
 - lands acquired generated \$477,127 annually
 - lands sold are predominately isolated grazing lands (83%) and the lands acquired include commercial, agricultural, grazing and timbered lands
- Enhance management and stewardship activities with land consolidation
 - lands acquired are contiguous and in most cases consolidate existing state ownership

Milestones:

- A Negotiated Rulemaking process was approved by the Board of Land Commissioners in June 2004, and the Committee was initiated in October 2004.
- Administrative Rules (ARM 36.25.801 through 817) were given final approval by the Board of Land Commissioners in September 2005. Rules have been amended to reflect 2007 statutory changes.
- **797** parcels containing **185,413** acres have been nominated for sale since program inception. Processed and sold **69,350** acres of land consisting of **332** parcels. **57,860** acres were isolated (83%), while **11,490** acres were legally accessible (17%).
- **67,810** legally accessible acres in **17** acquisitions have been purchased.
- Income generated annually from parcels purchased (\$477,127), has increased trust revenues \$218,704 or approximately 85% over income generated from parcels sold.

Trust Land Sold via Land Banking 2006 – June 30, 2016

Land Banking Rules require a rigorous examination of trust land prior to sale, including evaluation using the Montana Environmental Policy Act (MEPA) process, appraisal, notification of lessees, beneficiaries, adjacent landowners, licensees, publication of legal notices, culminating in public auctions after which final Board approval is required.

Sales by County

ACRES	COUNTY	SALES PRICE	ANNUAL INCOME
1,000	Beaverhead	\$564,000	\$1,532
1,280	Blaine	\$324,450	\$2,639
1,140	Broadwater	\$541,000	\$2,245
935	Carbon	\$1,598,250	\$1,034
705	Carter	\$218,715	\$1,367
165	Cascade	\$132,000	\$151
2,907	Chouteau	\$644,246	\$4,222
10,448	Custer	\$1,748,800	\$12,764
6,889	Daniels	\$2,262,800	\$57,326
640	Dawson	\$96,000	\$182
320	Deer Lodge	\$272,000	\$1,843
325	Fallon	\$97,800	\$669
160	Fergus	\$63,000	\$192
675	Flathead	\$11,396,000	\$67,848
17	Gallatin	\$375,000	\$14,471
13,783	Garfield	\$2,154,300	\$17,293
648	Golden Valley	\$307,000	\$2,406
160	Granite	\$176,000	\$417
684	Hill	\$342,100	\$2,310
480	Jefferson	\$442,000	\$1,198
2,213	Lewis & Clark	\$1,959,000	\$2,626
1,065	Liberty	\$246,473	\$1,533
479	Madison	\$886,298	\$601
40	McCone	\$10,000	\$46
840	Meagher	\$1,160,000	\$7,080
13	Mineral	\$30,000	\$0
928	Missoula	\$1,502,000	\$11,786
10	Phillips	\$47,500	\$755
509	Pondera	\$154,502	\$3,473
80	Powder River	\$26,000	\$261
1,517	Powell	\$2,219,000	\$4,285
636	Ravalli	\$636,000	\$1,611
5,112	Rosebud	\$815,500	\$5,394
1,920	Stillwater	\$860,800	\$3,256
480	Sweet Grass	\$1,506,000	\$2,340
880	Teton	\$615,000	\$2,622
2,829	Toole	\$577,425	\$4,776
1,600	Treasure	\$368,000	\$2,039
492	Valley	\$239,996	\$5,498
2,266	Wheatland	\$948,790	\$3,738
2,080	Yellowstone	\$783,900	\$2,594
69,350	TOTAL	\$39,347,645	\$258,423

Sales by Trust

ACRES	GRANT	SALES PRICE	ANNUAL INCOME	AVERAGE RATE of RETURN
63,708	Common Schools	\$33,958,378	\$172,215	.51%
640	Morrill	\$614,400	\$1,428	.23%
167	Montana State University	\$428,000	\$4,707	1.10%
2,488	Public Building	\$994,985	\$5,468	.55%
91	Montana Tech	\$2,168,500	\$60,852	2.81%
680	Pine Hills	\$307,290	\$4,576	1.49%
448	Western / Eastern	\$383,092	\$6,059	1.58%
1,128	University of Montana	\$489,000	\$3,116	.64%
69,350	TOTALS	\$39,347,645	\$258,423	.66%

Sales by Land Type

LAND TYPE	ACRES
Agriculture	3,053
Grazing	63,821
Forest	2,368
Other	108
TOTAL	69,350

Average Sale Price per acre for Sold Parcels = \$1,504

Average Income per acre for Sold Parcels = \$3.73

Average Cost per acre for all Acquisitions = \$504

Average Income per acre for all Acquisitions = \$7.04

Average Income per acre on Acquisitions with income generated from
annual lease payments = \$14.71

Average Income Rate of Return on Acquisitions with income generated from
annual lease payments = 2.64%

Sale Funds Used to Purchase Easements Associated with Cabin Site Sales

Grant	Easement Value
Montana Tech	\$156,097
Western / Eastern	\$4,000
Pine Hills	\$22,620

In some cases, a portion of cabin site sale funds are used to purchase access easements as part of the sale transaction. Those portions of the sale funds used for easement purchases are deposited in the Grant's permanent fund.

LAND BANKING ACQUISITIONS

Criteria for tracts acquired:

- Increasing rate of return compared with the land sold.
- Improving access and consolidating land holdings.
- Maintaining a similar land base consistent with the state's fiduciary duty.
- Considering equalization of land base through sales and acquisitions by geographic area.

The following table summarizes replacement property acquired with Land Banking proceeds.

Note that while **69,350** acres were sold generating **\$39,347,645** in sales revenue, the state has acquired **67,810** acres while spending **\$34,215,783**. Additionally, the replacement acreage is all publicly accessible, while producing more than twice the rate of return to the beneficiaries.

Tracts Acquired Through Land Banking 2006 – June 30, 2016							
Tract Name	County	Acres	Purchase Price	Appraised Value	2015 Net Income	2015 Income Rate of Return	Purchase Date
Eustance Ranch (Ulm Pishkin)	Cascade	897.2 Grazing/Ag	\$718,256	\$969,600	\$18,236	2.54%	October-06
Capdeville Ranch	Valley	530 Ag	\$618,000	\$619,000	\$8,932	1.45%	December-06
North Lincoln	Lewis and Clark	1,041 Graz/Timber	\$1,131,636	\$1,480,000	\$1,889	0.17%*	December-06
Ovando Mtn.	Powell	1,439 Graz/Timber	\$540,735	\$975,000	\$1,796	0.33%*	December-06
Wolf Creek Ranch	Fergus	1,842.55 Grazing/Ag	\$1,290,000	\$1,290,000	\$27,535	2.13%	January-07
Tongue River Ranch	Custer	18,544.18 Grazing/Ag	\$4,800,000	\$4,800,000	\$74,664	1.56%	April-07
Tupper Lake	Powell	1,777.67 Timber/Grazing	\$1,271,000	\$1,271,000	\$705	0.06%*	July-08
DeBruycker Farm	Teton	5,211.98 Ag/Grazing	\$4,980,000	\$4,980,000	\$114,580	2.3%	December-08
Valentine Water Project	Fergus	304 Grazing	\$150,000	\$150,000	\$1,378	0.92%	January-09
Chamberlain Creek	Missoula	1,171.9 Graz/Timber	\$1,336,000	\$1,336,000	\$305 For the entire property	0.02%*	July-10
Chamberlain Creek with CE	Missoula & Powell	13,410.6 Timber	\$4,600,000	\$4,600,000			
North Swan (Phase 1)	Lake	1,914 Timber	\$1,435,830	\$1,435,830	\$30,358 For the entire property	0.42%	December-10
North Swan (Phase 2)	Lake	14,624 Timber	\$5,849,600	\$5,849,600			December-12
Milk River Ranch	Hill	1,513.5 Ag/Grazing	\$1,069,226	\$1,069,226	\$25,284	2.36%	December-12
1539 11 th Ave Helena	Lewis & Clark	60,000 sq/ft Commercial	\$435,500	\$803,000	\$31,680	7.27%	February-13
Hougardy Farm	Treasure	406.86 Ag/Grazing	\$1,000,000	\$1,000,000	\$17,713	1.77%	October-14
Bullhead Ranch	Pondera	2,563.47 Ag/Grazing	\$2,500,000	\$2,550,000	\$112,514	4.5%**	August-15
Clapper Flat Farm	Yellowstone	617 Ag/Grazing	\$490,000	\$490,000	\$9,559***	1.95%	June-16
TOTALS		67,809.91	\$34,215,783	\$35,668,256	\$477,127	1.39%	

* Rate of Return only reflects secondary income from grazing. Timber will be harvested from the property during the next 60 years. The projected range of Rate of Return for timberland over a 60 year period is 0.96 to 2.13%.

** Property was purchased in August 2015. Net Income based on competitive bid awarded on 1/5/2016.

*** Property will be purchased on June 30, 2016. Net Income based on income projections calculated for Land Banking Acquisition agenda item presented to the Land Board.

Department of Natural Resources and Conservation – July 2016

Eustance Ranch

Cascade County
Grazing/Ag Acres 897.2



Capdeville Ranch

Valley County
Ag Acres 530



North Lincoln

Lewis and Clark County
Graz/Timber Acres 1,041

Ovando Mtn.

Powell County
Graz/Timber Acres 1,439



Wolf Creek Ranch

Fergus County
Grazing/Ag Acres 1,842.55



Tongue River Ranch

Custer County
Grazing/Ag Acres 18,544.18



Tupper Lake

Powell County

Graz/Timber Acres 1,777.67



DeBruycker Farm

Teton County

Grazing/Ag Acres 5,211.98



Valentine Water Project

Fergus County

Grazing Acres 304



Chamberlain Creek

Missoula & Powell Counties

Graz/Timber Acres 14,582



North Swan (Phases 1 & 2)

Lake County

Timber Acres 16,538



Milk River Ranch

Hill County

Grazing/Ag Acres 1,514



1539 11TH Avenue, Helena

Lewis & Clark County

Commercial Lot 60,000 sq/ft



Hougardy Farm

Treasure County

Grazing/Ag Acres 406.86



Bullhead Ranch

Pondera County

Grazing/Ag Acres 2,563.47



Clapper Flat Farm

Yellowstone County

Grazing/Ag Acres 617

