

**Department of Natural Resources and Conservation**  
**LAND BANKING REPORT**  
**July 2018**

**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 and Rule 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.
- 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.

**Goals of the program:**

- Increase public access to state trust land
  - 197,055 acres have been nominated for sale
  - 79,884 acres have been sold, 73% were isolated
  - 95,028 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 \$543,016 annually
  - lands acquired generated \$570,602 annually
  - lands sold are predominately isolated grazing lands (73%) 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 result in consolidating existing state ownership

**Milestones:**

- **942** parcels containing **197,055** acres have been nominated for sale since program inception. Processed and sold **79,884** acres of land consisting of **423** parcels. **58,662** acres were isolated (73%), while **21,221** acres were legally accessible (27%).
- **95,028** legally accessible acres in **21** acquisitions have been purchased.
- Income generated annually from parcels purchased (\$570,602), has increased trust revenues \$369,031 or approximately 183.08% over income generated from parcels sold.

# Trust Land Sold via Land Banking 2006 – December 31, 2017

## 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
805	Cascade	\$484,000	\$2,291
2,907	Chouteau	\$644,246	\$4,222
10,448	Custer	\$1,748,800	\$12,764
6,889	Daniels	\$2,262,800	\$57,326
646	Dawson	\$118,225	\$432
320	Deer Lodge	\$272,000	\$1,843
325	Fallon	\$97,800	\$669
160	Fergus	\$63,000	\$192
690	Flathead	\$13,706,000	\$134,622
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
10,437	Lewis & Clark	\$12,136,000	\$57,068
1,065	Liberty	\$246,473	\$1,533
1	Lincoln	\$12,000	\$534
479	Madison	\$886,298	\$601
40	McCone	\$10,000	\$46
840	Meagher	\$1,160,000	\$7,080
13	Mineral	\$30,000	\$0
966	Missoula	\$4,698,500	\$134,801
7	Park	\$85,000	\$24
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	Sanders	\$18,000	\$350
1,920	Stillwater	\$860,800	\$3,256
480	Sweet Grass	\$1,506,000	\$2,340
1682	Teton	\$1,559,000	\$5,333
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
2,720	Yellowstone	\$1,073,900	\$4,278
<b>79,884</b>	<b>TOTAL</b>	<b>\$56,914,370</b>	<b>\$543,016</b>

### Sales by Trust

ACRES	GRANT	SALES PRICE	ANNUAL INCOME	AVERAGE RATE of RETURN
74,081	<b>Common Schools</b>	\$47,775,603	\$311,163	0.65%
640	<b>Morrill</b>	\$614,400	\$1,428	0.23%
193	<b>Montana State University</b>	\$2,562,500	\$99,719	3.89%
2,608	<b>Public Building</b>	\$1,174,985	\$5,642	0.48%
99	<b>Montana Tech</b>	\$3,536,000	\$111,288	3.14%
680	<b>Pine Hills</b>	\$307,290	\$4,576	1.49%
448	<b>Western / Eastern</b>	\$369,592	\$6,059	1.64%
1,135	<b>University of Montana</b>	\$574,000	\$3,140	0.55%
<b>79,884</b>	<b>TOTALS</b>	<b>\$56,914,370</b>	<b>\$543,016</b>	<b>0.95%</b>

### Sales by Land Type

LAND TYPE	ACRES
Agriculture	3,213
Grazing	74,104
Forest	2,368
Other	198
<b>TOTAL</b>	<b>79,884</b>

Average Sale Price per acre for Sold Parcels = \$707  
Average Income per acre for Sold Parcels = \$6.80

Average Cost per acre for all Acquisitions = \$543  
Average Income per acre for all Acquisitions = \$8.03

Average Income per acre on Acquisitions with income generated from  
annual lease payments = \$17.59

Average Income Rate of Return on Acquisitions with income generated from  
annual lease payments 2.80%

### Sale Funds Used to Purchase Easements Associated with Cabin Site Sales

Grant	Easement Value
Montana Tech	\$167,996
Western / Eastern	\$4,000
Pine Hills	\$22,620
Common Schools	\$52,009
Montana State University	\$40,530

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 **79,884** acres were sold generating **\$56,914,370** in sales revenue, the state has acquired **95,028** acres while spending **\$51,605,627**. 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 – December 31, 2017							
Tract Name	County	Acres	Purchase Price	Appraised Value	2017 Net Income	2017 Income Rate of Return	Purchase Date
Eustance Ranch (Ulm Pishkin)	Cascade	897.2 Grazing/Ag	\$718,256	\$969,600	\$17,161	2.39%	October-06
Capdeville Ranch	Valley	530 Ag	\$618,000	\$619,000	\$10,151	1.64%	December-06
North Lincoln	Lewis and Clark	1,041 Graz/Timber	\$1,131,636	\$1,480,000	\$1720	0.15%*	December-06
Ovando Mtn.	Powell	1,439 Graz/Timber	\$540,735	\$975,000	\$5761	1.07%	December-06
Wolf Creek Ranch	Fergus	1,842.55 Grazing/Ag	\$1,290,000	\$1,290,000	\$28,412	2.2%	January-07
Tongue River Ranch	Custer	18,544.18 Grazing/Ag	\$4,800,000	\$4,800,000	\$159,963	3.33%	April-07
Tupper Lake	Powell	1,777.67 Timber/Grazing	\$1,271,000	\$1,271,000	\$685	0.05%*	July-08
DeBruycker Farm	Teton	5,211.98 Ag/Grazing	\$4,980,000	\$4,980,000	\$114,446	2.30%	December-08
Valentine Water Project	Fergus	304 Grazing	\$150,000	\$150,000	\$1,112	0.74%	January-09
Chamberlain Creek	Missoula	1,171.9 Graz/Timber	\$1,336,000	\$1,336,000	\$272 For the entire property	0.01%	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	\$0 For the entire property	0.0%	December-10
North Swan (Phase 2)	Lake	14,624 Timber	\$5,849,600	\$5,849,600			December-12

Tract Name	County	Acres	Purchase Price	Appraised Value	2017 Net Income	2017 Income Rate of Return	Purchase Date
Milk River Ranch	Hill	1,513.5 Ag/Grazing	\$1,069,226	\$1,069,226	\$25,582	2.39%	December-12
1539 11 <sup>th</sup> Ave Helena	Lewis & Clark	60,000 sq/ft Commercial	\$435,500	\$803,000	\$27,075	6.22%	February-13
Hougardy Farm	Treasure	406.86 Ag/Grazing	\$1,000,000	\$1,000,000	\$15,423	1.54%	October-14
Bullhead Ranch	Pondera	2,563.47 Ag/Grazing	\$2,500,000	\$2,550,000	\$106,091	4.24%	August-15
Clapper Flat Farm	Yellowstone	617 Ag/Grazing	\$490,000	\$490,000	\$6479	1.32%**	June-16
Lost Creek Farm	Stillwater	2,015.8 Ag	\$1,333,000	\$1,445,500	\$22,105	1.66%	June-17
Birkley Road Farm	Yellowstone	1232.13 Ag	\$979,265	\$979,265	\$28,116**	2.87%**	September-17
Angela Fam	Rosebud	16,951.97 Ag/Grazing	\$11,300,000	\$11,300,000	N/A		March -18
Stillwater Lazy Creek	Flathead	7018.24 Timber	\$3,777,579	\$3,777,579	N/A		February - 18
<b>TOTALS</b>		<b>95,028.02</b>	<b>\$51,605,627</b>	<b>\$53,170,600</b>	<b>\$570,554</b>	<b>1.56%</b>	

\* 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%.

\*\* Net Income based on income projections calculated for Land Banking Acquisition agenda item presented to the Land Board.

Some Acquisition Examples:

**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 11<sup>TH</sup> 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





**Lost Creek Farm**

Stillwater County

Ag Acres 2,015.8



**Birkley Road Farm**

Yellowstone County

Ag Acres 1232.13



**Angela Farm** (acquired 2/26/2018)

Rosebud County

Dryland Ag and Grazing 16,952

