



Department of Natural Resources & Conservation

LAND BANKING REPORT

January 2022

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 of the initial legislation, and capping the number of acres that could be sold through Land Banking at 250,000.

Statute & Rule Requirements

Statute limits the sale of land to 250,000 acres.

- Of these 250,000 acres, 75% must be isolated land.
- Limits sales to 20,000 acres until replacement properties are purchased.

Replacement land must generate as much or more revenue than the land sold.

The Department of Natural Resources & Conservation (DNRC) is required to provide a report to the Environmental Quality Council (EQC) prior to each regular legislative session which describes the results of the Land Banking program in detail.


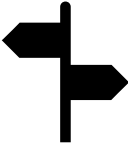

Administrative Rules of Montana (ARM 36.25.701 through 708 and ARM 36.25.801 through 817) guide the land banking program and require a rigorous examination of state trust land prior to sale. This includes evaluation using the Montana Environmental Policy Act (MEPA) process, appraisal, notification of lessees, beneficiaries, adjacent landowners, licensees, and publication of legal notices, culminating in public auctions after which final State Land Board approval is required.

Goals and Accomplishments of the Program

Three goals of the program include: 1) increasing public access to state trust land through strategic sales and acquisitions; 2) improving the investment portfolio of the beneficiaries by diversifying land holdings; and 3) enhancing management and stewardship activities with land consolidation. To date, DNRC has accomplished:

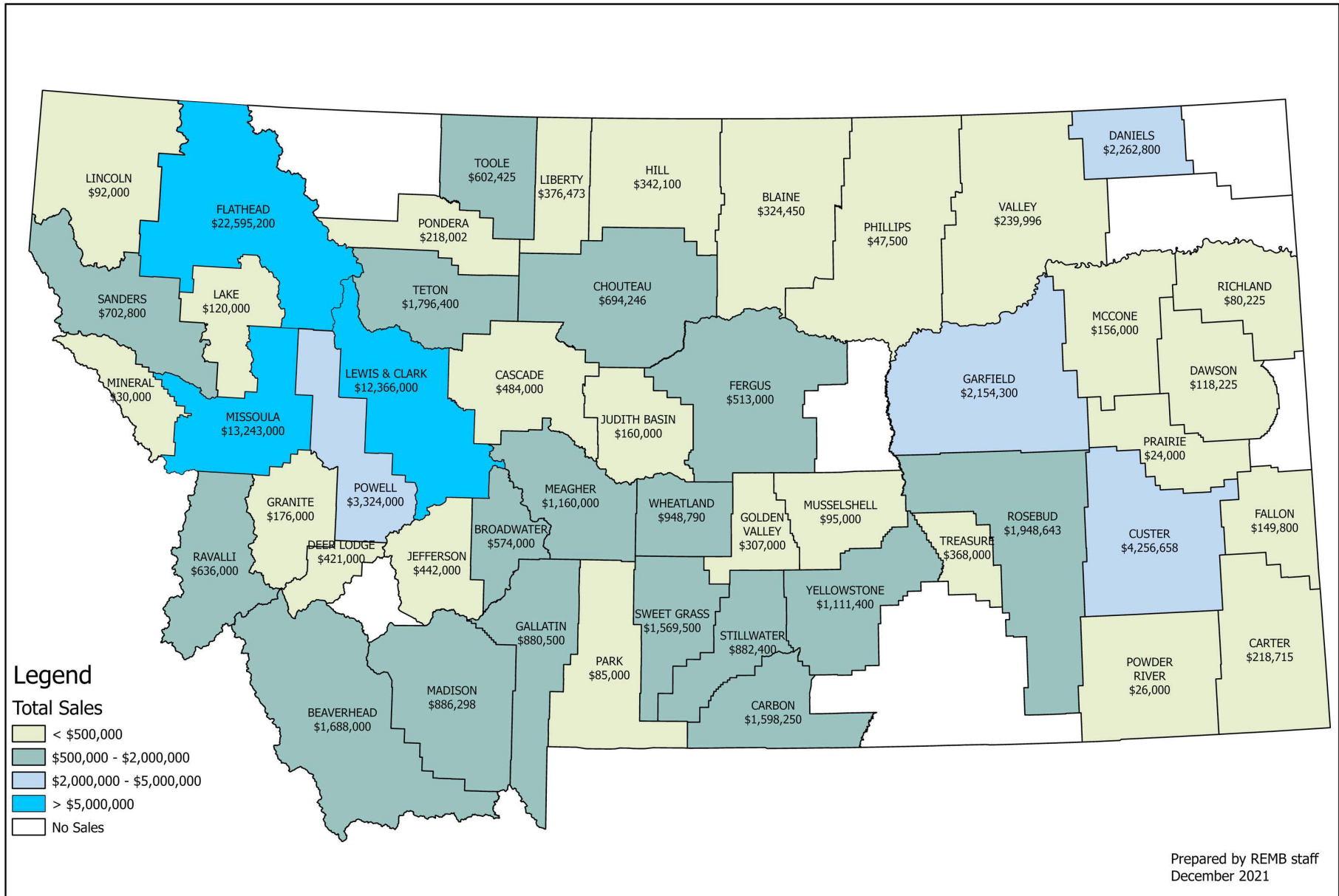
- Isolated sales make up 76% of all acreage sold since the Land Banking program's inception in 2003, while all 98,272 acres purchased through the program are legally accessible for the Department and the public.
- Cabin sites sold generated \$853,372 annually at a 3.10% rate of return.
- Land sales not including cabin sites have generated \$270,524 annually at a 0.48% rate of return.
- Total of all land sold has generated \$1,123,896 annually at a 1.35% rate of return.
- Land acquired has generated \$985,555 annually at 1.85% rate of return.
- Land sold is predominantly low-producing and isolated grazing lands, except for leased cabin/home sites which produce a higher rate of return than isolated tracts.
- The land acquired includes commercial, agricultural, grazing, and timbered land with layered income potential.
- Acquisitions are contiguous and (in most cases) result in consolidating existing state ownership.

Land Banking by the Numbers

LAND SALES			
\$83,496,096 total generated from land banking sales through the Land Banking program	\$7,115,200 total generated from land banking sales in 2021	68,176 or 76% of the acres sold since 2006 have been inaccessible	2,430 total acres sold in 2021
596 parcels sold at auction since 2006	\$12.52 average income per acre of sold parcels	203 total cabin & home sites sold since 2014 	89,748 total acres sold since 2006
ACQUISITIONS			
98,272 total acres acquired since 2006 	\$985,555 generated annually from parcels acquired	23 Acquisitions since 2006	
\$10.03 average income per acre for all acquisitions	\$18.27 average annual income per acre of acquired parcels from annual lease payments	98,272 acres of publicly accessible land acquired 	
3.04% average rate of return on acquired parcels with annual lease payments	2.21% Projected long-term average rate of return on forested acquisitions	\$543 average cost per acre for all acquisitions	

Trust Land Sales by County 2006-2021

Acres	County	Sales Price	Annual Income
1,640	Beaverhead	\$1,688,000	\$5,095
1,280	Blaine	\$324,450	\$2,639
1,150	Broadwater	\$574,000	\$6,340
935	Carbon	\$1,598,250	\$1,034
705	Carter	\$218,715	\$1,367
805	Cascade	\$484,000	\$2,291
2,918	Chouteau	\$694,246	\$5,847
14,608	Custer	\$4,256,658	\$21,296
6,889	Daniels	\$2,262,800	\$57,326
646	Dawson	\$118,225	\$432
360	Deer Lodge	\$421,000	\$5,109
340	Fallon	\$149,800	\$1,369
920	Fergus	\$513,000	\$2,900
738	Flathead	\$22,595,200	\$342,196
23	Gallatin	\$880,500	\$21,467
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
160	Judith Basin	\$160,000	\$2,720
2	Lake	\$120,000	\$5,700
10,447	Lewis and Clark	\$12,366,000	\$71,836
1,425	Liberty	\$376,473	\$2,762
8	Lincoln	\$92,000	\$1,716
479	Madison	\$886,298	\$601
301	McCone	\$156,000	\$1,867
840	Meagher	\$1,160,000	\$7,080
13	Mineral	\$30,000	\$0
1,063	Missoula	\$13,243,000	\$444,944
160	Musselshell	\$95,000	\$1,017
7	Park	\$85,000	\$24
10	Phillips	\$47,500	\$755
618	Pondera	\$218,002	\$3,829
80	Powder River	\$26,000	\$261
2,329	Powell	\$3,324,000	\$14,288
9	Prairie	\$24,000	\$699
636	Ravalli	\$636,000	\$1,611
23	Richland	\$80,225	\$1,519
7,032	Rosebud	\$1,948,643	\$9,741
29	Sanders	\$702,800	\$14,747
1,930	Stillwater	\$882,400	\$3,855
484	Sweet Grass	\$1,569,500	\$2,662
2,002	Teton	\$1,796,400	\$7,159
2,869	Toole	\$602,425	\$4,910
1,600	Treasure	\$368,000	\$2,039
492	Valley	\$239,996	\$5,498
2,266	Wheatland	\$948,790	\$3,738
2,722	Yellowstone	\$1,111,400	\$5,984
89,748	Total	\$83,496,096	\$1,123,896



Prepared by REMB staff
December 2021



Montana Trust Lands Land Banking Sales by County, 2006 - 2021







Trust Land Sold through the Land Banking Program 2006-2021

SALES BY TRUST

ACRES	GRANT	SALES PRICE	ANNUAL INCOME	AVERAGE RATES OF RETURN
83,590	Common Schools	\$57,909,729	\$445,979	0.77%
640	Morrill	\$614,400	\$1,428	0.23%
279	Montana State University	\$10,109,000	\$373,492	3.69%
2	School for the Deaf & Blind	\$107,000	\$2,978	2.78%
2,820	Public Building	\$1,957,385	\$17,451	0.89%
136	Montana Tech	\$10,271,200	\$234,655	2.28%
691	Pine Hills	\$1,078,290	\$31,718	2.94%
450	Western / Eastern	\$604,592	\$9,081	1.50%
1,140	University of Montana	\$844,500	\$7,114	0.84%
89,748	TOTAL	\$83,496,096	\$1,123,896	1.35%

SALES BY LAND TYPE

 83,691 grazing acres sold	 3,215 agricultural acres sold	 2,408 forested acres sold	 434 other acres sold (cabin/home sites)
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SALES IN SUMMARY

\$930.34 average sale price per acre of parcels sold	\$12.52 average income per acre of parcels sold	68,176 inaccessible acres sold since 2003	1.35% average rate of return of parcels sold
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76% of all sales have been isolated & inaccessible.

Land Acquired through the Land Banking Program 2006-2021

This table summarizes replacement property acquired with Land Banking proceeds. Each acquisition is evaluated on set criteria. Properties must:

- increase the rate of return compared with the land sold;
- improve access and consolidate land holdings;
- maintain a similar land base consistent with the state's fiduciary duty; and
- consider equalization of land base through sales and acquisitions by geographic area.

It is important to note that while 89,748 acres were sold generating \$83,496,096 in sales revenue, the state spent only \$53,328,091 to acquire 98,272 acres. Additionally, the replacement acreage is all publicly accessible and produces a higher rate of return to the school trust lands.

TRACT NAME	COUNTY	ACRES	PURCHASE PRICE	APPRAISED VALUE	2021 NET INCOME	2021 RATE OF RETURN	PURCHASE DATE
Eustance Ranch (Ulm Pishkin)	Cascade	898 Ag & Grazing	\$718,256	\$969,600	\$16,140.97	2.25%	Oct-06
Capdeville Ranch	Valley	530 Ag	\$618,000	\$619,000	\$20,069.98	3.25%	Dec-06
North Lincoln	Lewis & Clark	1,042 Grazing & Timber	\$1,131,636	\$1,480,000	\$1,620.56	0.14%*	Dec-06
Ovando Mountain	Powell	1,439 Grazing & Timber	\$540,735	\$975,000	\$2,872.44	0.53%*	Dec-06
Wolf Creek Ranch	Fergus	1,843 Ag & Grazing	\$1,290,000	\$1,290,000	\$11,680.17	0.91%	Jan-07
Tongue River Ranch	Custer	18,544 Ag & Grazing	\$4,800,000	\$4,800,000	\$132,125.45	2.75%	Apr-07
Tupper Lake	Powell	1,778 Grazing & Timber	\$1,271,000	\$1,271,000	\$753.53	0.06%*	Jul-08
DeBruycker Farm	Teton	5,212 Ag & Grazing	\$4,980,000	\$4,980,000	\$129,063.98	2.59%	Dec-08
Valentine Water Project	Fergus	304 Grazing	\$150,000	\$150,000	\$1,012.56	0.68%	Jan-09

Land Acquired through the Land Banking Program 2006-2021, continued

TRACT NAME	COUNTY	ACRES	PURCHASE PRICE	APPRAISED VALUE	2021 NET INCOME	2021 RATE OF RETURN	PURCHASE DATE
Chamberlain Creek	Missoula	1,172 Grazing & Timber	\$1,336,000	\$1,336,000	\$18,214.74	0.31%	Jul-10
Chamberlain Creek with CE	Missoula & Powell	13,411 Timber	\$4,600,000	\$4,600,000			
North Swan (Phase 1)	Lake	1,920 Timber	\$1,435,830	\$1,435,830	\$0.00	0.00%*	Dec-10
North Swan (Phase 2)	Lake	14,624 Timber	\$5,849,600	\$5,849,600			Dec-12
Milk River Ranch	Hill	1,514 Ag & Grazing	\$1,069,226	\$1,069,226	\$8,087.38	0.76%	Dec-12
1539 Eleventh Avenue, Helena	Lewis & Clark	1 Commercial	\$435,500	\$803,000	\$45,193.5	10.38%	Feb-13
Hougardy Farm	Treasure	407 Ag & Grazing	\$1,000,000	\$1,000,000	\$18,056.06	1.81%	Oct-14
Bullhead Ranch	Pondera	2,563 Ag & Grazing	\$2,500,000	\$2,550,000	\$107,010.02	4.28%	Aug-15
Clapper Flat Farm	Yellowstone	617 Ag & Grazing	\$490,000	\$490,000	\$3,100.83	0.63%	Jun-16
Lost Creek Farm	Stillwater	2,017 Ag	\$1,333,000	\$1,445,500	\$35,802.97	2.69%	Jun-17
Birkley Road Farm	Yellowstone	1,266 Ag	\$979,265	\$979,265	\$34,037.17	3.48%	Sep-17
Angela Farm	Rosebud	16,952 Ag & Grazing	\$11,300,000	\$11,300,000	\$400,712.33	3.55%	Mar-18
Stillwater Lazy Creek Phase I	Flathead	7,018 Timber	\$3,777,579	\$3,777,579	\$0.00	0.00%*	Feb-18
Stillwater Lazy Creek Phase II	Flathead	3200 Timber	\$1,722,464	\$1,722,464			Oct-18
TOTAL		98,272 acres	\$53,328,091	\$54,893,064	\$985,554.64	1.85%	

* 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%.