

Department of Natural Resources and Conservation
Land Banking Report to the Environmental Quality Council
July 2012

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
 - 166,058 acres have been nominated for sale
 - 52,863 acres have been sold, 93.8% were isolated
 - 48,084 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 \$84,870 annually
 - lands acquired will generate \$226,279 annually
 - lands sold are predominately isolated grazing lands and the lands acquired include 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.
- **590** parcels containing **166,058** acres have been nominated for sale since program inception. Processed and sold **52,863** acres of land consisting of **236** parcels. **49,580** acres were isolated (93.8%), while **3,282** acres were legally accessible (6.2%).
- Agency is currently processing **10,247** acres of land for sale; 2,340 isolated (23%); 7,907 legally accessible (77%).
- **48,084** legally accessible acres in **11** parcels have been purchased.
- Income generated annually from parcels purchased (\$226,279), has increased trust revenues 167% over income generated from parcels sold (\$84,870).

LAND BANKING SALES CLOSED

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.

Trust Land Sold via Land Banking 2006 – June 29, 2012 Sales by Trust

ACRES	GRANT	SALES PRICE	ANNUAL INCOME	AVERAGE RATE of RETURN
47,700	Common Schools	\$24,163,572	\$73,020	.30%
640	MSU Morrill	\$614,400	\$1,428	.23%
160	MSU 2 ND	\$300,000	\$690	.23%
2,356	Public Building	\$808,985	\$4,691	.58%
80	School of Mines	\$20,000	\$172	.86%
679	State Industrial School	\$157,290	\$1,014	.64%
120	State Normal School	\$24,000	\$739	3.08%
1,128	University of Montana	\$489,000	\$3,116	.64%
52,863	TOTALS	\$26,577,247	\$84,870	.32%

Sales by County

ACRES	COUNTY	SALES PRICE	ANNUAL INCOME
1,000	Beaverhead	\$564,000	\$1,532
1,280	Blaine	\$324,450	\$2,639
181	Broadwater	\$181,000	\$236
935	Carbon	\$1,598,250	\$1,034
65	Carter	\$14,715	\$89
165	Cascade	\$132,000	\$151
2,907	Chouteau	\$644,246	\$4,222
9,648	Custer	\$1,496,800	\$11,460
9	Daniels	\$12,000	\$203
640	Dawson	\$96,000	\$182
320	Deer Lodge	\$272,000	\$1,843
320	Fallon	\$92,800	\$358
160	Fergus	\$63,000	\$192
85	Flathead	\$6,400,000	\$1,119
13,143	Garfield	\$1,967,300	\$15,929
648	Golden Valley	\$307,000	\$2,406
684	Hill	\$342,100	\$2,310
2,213	Lewis & Clark	\$1,959,000	\$2,626
1,065	Liberty	\$246,473	\$1,533
479	Madison	\$886,298	\$601
840	Meagher	\$1,160,000	\$7,080
160	Missoula	\$300,000	\$690
426	Pondera	\$108,200	\$959
1,517	Powell	\$2,219,000	\$4,285
4,472	Rosebud	\$667,500	\$4,276
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
4	Valley	\$4,000	\$0
1,626	Wheatland	\$668,790	\$2,545
2,080	Yellowstone	\$783,900	\$2,594
52,863	TOTAL	\$26,577,247	\$84,870

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 **52,863** acres were sold generating **\$26,577,247** in sales revenue, the state has acquired **48,084** acres while spending **\$22,871,457**. 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 29, 2012							
Tract	County	Acres	Purchase Price	Appraised Value	2011 Net Income	2011 Income Rate of Return	Purchase Date
Eustance Ranch (Ulm Pishkin)	Cascade	897.2 Grazing/Ag	\$718,256	\$969,600	\$6,020	0.84%	October-06
Capdeville Ranch	Valley	530 Ag	\$618,000	\$619,000	\$1,146	.02%***	December-06
North Lincoln	Lewis and Clark	1041 Graz/Timber	\$1,131,636	\$1,480,000	\$797	0.07%*	December-06
Ovando Mtn.	Powell	1,439 Graz/Timber	\$540,735	\$975,000	\$711	0.13%*	December-06
Wolf Creek Ranch	Fergus	1,842.55 Grazing/Ag	\$1,290,000	\$1,290,000	\$27,762	2.15%	January-07
Tongue River Ranch	Custer	18,544.18 Grazing/Ag	\$4,800,000	\$4,800,000	\$73,386	1.53%	April-07
Tupper Lake	Powell	1,777.67 Timber/Grazing	\$1,271,000	\$1,271,000	\$303	0.02%*	July-08
DeBruycker Farm	Teton	5,211.98 Ag/Grazing	\$4,980,000	\$4,980,000	\$112,770	2.26%	December-08
Valentine Water Project	Fergus	304 Grazing	\$150,000	\$150,000	\$1,384	0.92%	January-09
Chamberlain Creek	Missoula	1,171.9 Graz/Timber	\$1,336,000	\$1,336,000	\$0 For the entire property	0%**	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	\$2,000	0.001%**	December-10
TOTALS		48,084	\$22,871,457	\$23,906,430	\$226,279		

Average Cost per Acre for Acquisitions = \$476

Average Income per Acre for Acquisitions = \$4.71

Average Sale Price per acre for Sold Parcels = \$503

Average Income per acre for Sold Parcels = \$1.61

* Rate of Return only reflects secondary income from grazing, timber will be harvested from the property during the next 60 years.

** No timber harvests have occurred to generate income, the projected range of Rate of Return for timberland over a 60 year period is 0.96 to 2.13%.

*** 2011 flooding of Beaver Creek in Valley County resulted in substantial loss of income.

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 (Phase 1)

Lake County

Timber Acres

1,914

