

**Department of Natural Resources and Conservation**  
**LAND BANKING REPORT**  
**July 2014**

**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
  - 172,119 acres have been nominated for sale
  - 64,244 acres have been sold, 83% were isolated
  - 64,223 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 \$164,512 annually
  - lands acquired generated \$304,489 annually
  - lands sold are predominately isolated grazing lands (83%) 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.
- **618** parcels containing **172,119** acres have been nominated for sale since program inception. Processed and sold **64,244** acres of land consisting of **303** parcels. **53,420** acres were isolated (83%), while **10,824** acres were legally accessible (17%).
- Agency is currently processing 4,427 acres of land for sale; 2,685 isolated (61%); 1,742 legally accessible (39%).
- **64,223** legally accessible acres in **14** acquisitions have been purchased.
- Income generated annually from parcels purchased (\$304,489), has increased trust revenues \$139,977 or **88%** over income generated from parcels sold.

## 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 30, 2014

#### 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
65	Carter	\$14,715	\$89
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
320	Fallon	\$92,800	\$358
160	Fergus	\$63,000	\$192
665	Flathead	\$9,300,000	\$9,819
8	Gallatin	\$240,000	\$4,300
13,463	Garfield	\$2,047,300	\$16,596
648	Golden Valley	\$307,000	\$2,406
684	Hill	\$342,100	\$2,310
320	Jefferson	\$192,000	\$494
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
13	Mineral	\$30,000	\$0
920	Missoula	\$1,224,000	\$4,207
10	Phillips	\$47,500	\$401
509	Pondera	\$154,502	\$959
1,517	Powell	\$2,219,000	\$4,285
5,112	Rosebud	\$815,500	\$5,394
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
12	Valley	\$12,000	\$8
1,626	Wheatland	\$668,790	\$2,545
2,080	Yellowstone	\$783,900	\$2,594
<b>64,244</b>	<b>TOTAL</b>	<b>\$34,055,849</b>	<b>\$164,512</b>

### Sales by Trust

ACRES	GRANT	SALES PRICE	ANNUAL INCOME	AVERAGE RATE of RETURN
58,780	<b>Common Schools</b>	\$31,180,744	\$147,462	.47%
640	<b>MSU Morrill</b>	\$614,400	\$1,428	.23%
160	<b>MSU 2<sup>ND</sup></b>	\$300,000	\$690	.23%
2,488	<b>Public Building</b>	\$994,985	\$5,468	.55%
80	<b>School of Mines</b>	\$20,000	\$172	.86%
679	<b>State Industrial School</b>	\$157,290	\$1,014	.64%
288	<b>State Normal School</b>	\$299,400	\$5,161	1.72%
1,128	<b>University of Montana</b>	\$489,000	\$3,116	.64%
<b>64,244</b>	<b>TOTALS</b>	<b>\$34,055,849</b>	<b>\$164,512</b>	<b>.48%</b>

### Sales by Land Type

LAND TYPE	ACRES
Agriculture	2,899
Grazing	59,363
Forest	1,745
Other	237
<b>TOTAL</b>	<b>64,244</b>

Average Sale Price per acre for Sold Parcels = \$530  
 Average Income per acre for Sold Parcels = \$2.56

Average Cost per acre for all Acquisitions = \$471  
 Average Income per acre for all Acquisitions = \$4.74  
 Average Income per acre on Acquisitions with income generated from annual lease payments = \$9.63  
 Average Income Rate of Return on Acquisitions with income generated from annual lease payments = 1.97%

## 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 **64,244** acres were sold generating **\$34,055,849** in sales revenue, the state has acquired **64,223** acres while spending **\$30,225,783**. Additionally, the replacement acreage is all publicly accessible, while producing more than twice the rate of return to the beneficiaries.

<b>Tracts Acquired Through Land Banking 2006 – June 30, 2014</b>							
<b>Tract Name</b>	<b>County</b>	<b>Acres</b>	<b>Purchase Price</b>	<b>Appraised Value</b>	<b>2013 Net Income</b>	<b>2013 Income Rate of Return</b>	<b>Purchase Date</b>
Eustance Ranch (Ulm Pishkin)	Cascade	897.2 Grazing/Ag	\$718,256	\$969,600	\$19,173	2.67%	October-06
Capdeville Ranch	Valley	530 Ag	\$618,000	\$619,000	\$13,052	2.11%	December-06
North Lincoln	Lewis and Clark	1041 Graz/Timber	\$1,131,636	\$1,480,000	\$1,321	0.12%*	December-06
Ovando Mtn.	Powell	1,439 Graz/Timber	\$540,735	\$975,000	\$1,173	0.22%*	December-06
Wolf Creek Ranch	Fergus	1,842.55 Grazing/Ag	\$1,290,000	\$1,290,000	\$26,970	2.09%	January-07
Tongue River Ranch	Custer	18,544.18 Grazing/Ag	\$4,800,000	\$4,800,000	\$71,890	1.5%	April-07
Tupper Lake	Powell	1,777.67 Timber/Grazing	\$1,271,000	\$1,271,000	\$460	0.04%*	July-08
DeBruycker Farm	Teton	5,211.98 Ag/Grazing	\$4,980,000	\$4,980,000	\$115,088	2.31%	December-08
Valentine Water Project	Fergus	304 Grazing	\$150,000	\$150,000	\$1,305	0.87%	January-09
Chamberlain Creek	Missoula	1,171.9 Graz/Timber	\$1,336,000	\$1,336,000	\$23,618 For the entire property	1.77%	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	\$227 For the entire property	0.0%**	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	\$24,081	2.25%	December-12
Corrections Property	Lewis & Clark	60,000 sq/ft Commercial	\$435,500	\$803,000	\$6,131	1.41%	February-13
<b>TOTALS</b>		<b>64,223</b>	<b>\$30,225,783</b>	<b>\$31,628,256</b>	<b>\$304,489</b>	<b>1.01%</b>	

\* 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%.

**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 & 2)**

Lake County

Timber Acres 16,538



**Milk River Ranch**

Hill County

Grazing/Ag Acres

1,514



**Corrections Property**

Lewis & Clark County

Commercial Lot

60,000 sq/ft

