

Program Evaluation

Real Estate Management

Trust Land Management Division, DNRC



ENVIRONMENTAL QUALITY COUNCIL

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Introduction

The Environmental Quality Council (EQC) is required to evaluate programs within the Department of Natural Resources and Conservation (DNRC) pursuant to 75-1-324, MCA. That law requires the EQC to “review and appraise the various programs and activities of the state agencies, in the light of the policy set forth in 75-1-103, for the purpose of determining the extent to which the programs and activities are contributing to the achievement of the policy and make recommendations to the governor and the legislature with respect to the policy.”

The policy reads as follows:

The legislature, recognizing the profound impact of human activity on the interrelations of all components of the natural environment, particularly the profound influences of population growth, high-density urbanization, industrial expansion, resource exploitation, and new and expanding technological advances, recognizing the critical importance of restoring and maintaining environmental quality to the overall welfare and human development, and further recognizing that governmental regulation may unnecessarily restrict the use and enjoyment of private property, declares that it is the continuing policy of the state of Montana, in cooperation with the federal government, local governments, and other concerned public and private organizations, to use all practicable means and measures, including financial and technical assistance, in a manner calculated to foster and promote the general welfare, to create and maintain conditions under which humans and nature can coexist in productive harmony, to recognize the right to use and enjoy private property free of undue government regulation, and to fulfill the social, economic, and other requirements of present and future generations of Montanans.

For each bureau within the Trust Land Management Division of the DNRC, the council allocated 68 hours of staff time.

Real Estate Management Bureau

The state owns about 5.2 million surface acres and 6.2 million subsurface mineral acres, the difference being the result of the sale of surface rights and the retention of mineral rights as required by law. Much of the land traces its history to the Enabling Act approved by Congress in 1889 granting sections 16 and 36 in every township within the state to Montana for the benefit of education. Subsequent acts also granted land for educational and state institutions.¹

The bureau administers programs and activities that don't fall under the bureaus in the Trust Lands Division – Agriculture and Grazing, Mineral Management, or Forest Management. The bureau oversees land sales and exchanges ranging from cabin sites to large properties. It issues commercial leases as well as rights-of-way.

The bureau operates under a real estate management programmatic plan adopted in 2005. The plan covers leases, exchanges, and sales of trust land for residential, commercial, industrial and conservation uses. In general, the goals of the plan are to foster development in urban growth areas in coordination with community plans while increasing revenues for the trusts.²

The bureau is composed of the Lands Section, which oversees land sales and exchange; the Property Management Section, which includes leasing of cabin sites and commercial properties; and the Rights of Way Section, which oversees easements and other access agreements.

Real Estate Management Plan

The real estate management plan divides state lands with the potential for development into urban growth areas and rural areas. Urban growth areas are within an incorporated city, within 4.5 miles of a city boundary, or near an unincorporated area with developed public infrastructure. Development slated for urban growth areas include retail and office businesses, industrial, residential, and possibly conservation uses. Rural areas are those not classified as urban and may be targeted for resorts, public infrastructure, natural resource development or conservation, opportunities.³

The plan and the rules implementing it set a threshold for development statewide at 30,000 acres, which includes 1,500 acres that could be developed in rural areas. There are a number of transactions that don't count against the threshold, such as sales of isolated tracts, the development of traded tracts where development is clustered on 25% or less of the parcel, or residential development that is limited to one unit per 25 acres or more. Successful implementation of the plan, according to the record of decision, included increased rates of at least 2.76% and increased annual revenues of at least \$3.8 million.⁴

The base rate for commercial leases the last two years ranges from 4% to 6.7%. Annual revenue from commercial leasing was more than \$6 million in 2015?

Implementation reports are due every five years. In August 2015, the report found that less than 1% of the development threshold was with the total development of less than two acres. Acknowledging that activity has “barely scratched the surface” of the thresholds, the report notes that at the time the plan was developed, a statewide planner

¹ DNRC, Trust Land Management Division [Annual Report, 2014](#), 77-2-304, MCA.

² DNRC, [Real Estate Management Programmatic Plan](#), July 18, 2005.

³ Ibid.

⁴ Ibid.

worked for the department. Those duties are now performed by several employees. Also, the real estate market downturn in 2008 affected the timing of some proposed projects, which are only now moving forward again.⁵

The report also points out issues with the plan and the associated rules but does not propose any changes since many changes may be made by rule provided the changes are within the intent of the plan. Issues raised included:

- The rules are unclear as to whether land acquisitions that may already have development in place count toward the thresholds.
- The plan requires a multitude of forms that are cumbersome and excessive.
- Tracking real estate activity compared to the thresholds involves analyzing hundreds of real estate transactions against a complicated list of exemptions, which is time consuming.
- Monitoring land sold by the state to a private entity after the transaction is excessive and apparently unnecessary given the small impact on the thresholds over the last decade.

Lands Section

Land Banking

State law allows the Land Board to sell land, keeping in mind the best interest of the state. There are some restrictions associated with sale, including the reservation of mineral rights and most land that borders navigable lakes and streams as well as meandered lakes. State land may be sold to anyone over 18 years old, state, local, or tribal governments, or to private entities. The federal government may only buy state land to build facilities and structures. Full market value must be obtained through a public auction, and proceeds must be deposited in the permanent fund of the trust affiliated with the original grant.⁶

However, most of the sales in the last decade took place under the Land Banking program created by the Legislature in 2003.

Land banking laws allow for the sale of up to 250,000 acres of state land, 75% of which must be isolated parcels with no legal public access.⁷ Parcels may be nominated by the Land Board, the DNRC, or the current lessee.

Unlike general land sales, proceeds from land banking are used to purchase other land, easements, or improvements that provide greater or equal value to the trust. Another goal of the program is to provide increased public access. Proceeds may be held for 10 years after a sale is completed after which if the money isn't used to purchase new property it is transferred to the appropriate fund to benefit education.

The first sale occurred in 2006. As of July 2016, more than 69,000 acres have been sold. Of that acreage, 83% was isolated.⁸

The Land Board must determine prior to purchasing land that would be used for grazing, crops, or uses not related to agriculture, timber, or watershed protection that the purchased property will have an equal or greater rate of return

⁵ DNRC, [Real Estate Management Plan Five-Year Report](#), 2015.

⁶ Title 77, chapter 2, part 3, MCA.

⁷ An [analysis](#) by the Department of Fish, Wildlife, and Parks in 2013 estimated that more than 1.5 million acres of trust lands do not have public access.

⁸ [Land Banking Report](#), January 2016.

over a 20-year period than the land sold. For land that provides timber production and watershed protection, the rate of return must be predicted to be equal or greater than that of the land sold over a 60-year period.⁹

Since the program's inception, almost 68,000 acres have been purchased and all of the parcels have legal access.

The most recent Land Banking Report is included in Appendix A.

A performance audit of the program was completed in September 2010. The audit examined valuation procedures for lands sold and purchased, how parcels are evaluated, and rates of return on acquisitions. The audit found that even though a nominated parcel is isolated, meaning it did not have legal access, the Land Board offers it for sale as if it did have legal access, raising the price between 20% and 70%. The department's rationale is that a landowner who nominates an adjoining isolated parcel enjoys the increased value of the surrounding land once the isolated parcel is acquired. The audit found about that 40% of participants withdrew from the proposed sale because of the higher appraisal price. In most cases, parcels withdrawn remain under the lease agreement, meaning it could take 100 years to generate the income that would have been generated by selling the parcel.¹⁰

In response to the audit, when proposing sales to the Land Board, the department now provides the rate of return for continuing the lease versus the long-term rate of return if the parcel is sold. For example, a 640-acre isolated parcel sold in Carter County had a lease rate of return of .62%. It was valued as if it had access at \$204,000. The department's long term analysis stated that lands purchased under the program were returning on average 2.35% a year.¹¹

A 2011 follow-up to the audit found the agency was implementing the recommendations, which included document retention adopting statewide guidelines for identifying parcels to be sold and purchased.¹²

Cabin Site Sales

The department manages about 760 residential lots around the state. Each lot is less than five acres, must be only used for housing, and is often located in highly desirable second-home markets in the mountains and near rivers and lakes. Sites are leased to a person who either buys the existing dwelling or builds a home on the site. The advantages of leasing lots, according to the agency, include:

- Proximity to hunting, fishing and other recreational areas.
- No loan payments to finance the land and no property taxes. The lessee owns the home and pays taxes only on the structure.
- Leases are transferable.

However, over the last few years some leaseholders became increasingly upset at rising rental rates, which are based on similar property evaluations. In 2013, the Legislature passed a bill directing the Land Board to start selling cabin sites based in part on the "dysfunctional" implementation of leasing laws and "continuous and unproductive litigation."¹³

⁹ 77-2-364, MCA.

¹⁰ [Land Banking Program Audit](#), September 2010.

¹¹ [Land Board Agenda](#), February 17, 2015, p. 11.

¹² Performance Audit [Follow-Up](#), December 2011.

¹³ [Senate Bill 369](#), 2013.

The Land Board is required to offer all cabin sites for sale within a reasonable period of time, which takes into account the fiduciary duties of the Land Board.¹⁴ In 2015, the agency asked all lessees and homeowners if they wanted to participate in a sale program. The department plans to sell 80 sites by the end of 2017.¹⁵

In general, the lots are nominated by the lessee or the homeowner. In most cases, those are one and the same. After an appraisal, the value of the lot and the improvements is submitted to the Land Board, which sets the minimum bid for the lot and the maximum amount the improvements owner can be compensated. As with all land sales, the lot is sold at a public auction; however, the current lessee retains the right to match the high bid.¹⁶

Proceeds from cabin site sales are deposited in the state land bank fund to purchase other property. Twelve sites have been sold to date raising about \$2.4 million. Almost 100 sites are slated for sale in the next two years.

The July 2016 cabin and home site sales report is included in Appendix B.

Land Exchanges

Like land banking, exchanging state land for other land is a way to manage property. State law allows exchanges with federal, state, local, or tribal government as well as individuals and other nongovernment entities with the overriding condition that the land exchanged to the state be of equal or greater value.

The Land Board first adopted a land exchange policy in 1994 and updated it 10 years later. It contains seven criteria to measure a proposed exchange. In addition to the land being of equal or greater value on its face, the potential income generated by the swapped land must be of equal or greater value. If a piece of state land is currently used for grazing but could be targeted for development in the future, the Land Board would value the state land for its development potential.¹⁷

Other criteria for land exchanges are more subjective and the Land Board may consider them in the context of the public good. These include the following:¹⁸

- In general, the Land Board prefers the exchanged land to be equal to or greater than the state land in acreage.
- Land exchanges should ideally consolidate state lands as opposed to creating isolated parcels of state land.
- The exchanged land should have the potential for long-term appreciation. For example, the policy says a parcel of land rapidly appreciating for development would not be traded for agricultural land, even though at the present time the two parcels may be equal in value.
- Land swaps should not diminish access to other state lands.

¹⁴ 77-2-318, MCA.

¹⁵ DNRC Cabin and Home Site Sales [FAQs](#), Oct. 26, 2015.

¹⁶ Ibid.

¹⁷ [Land Exchange Policy](#), 2004.

¹⁸ Ibid.

Completed Land Exchanges

Exchange Name	Year Closed	Proponent	Trust Acres Exchanged	Trust Acres Acquired
Miller	2006	JR Miller	800.0	1,458.0
CB Ranch	2007	CB Ranch	640.0	1,280.0
Five Valleys(Tarkio)	2007	FVLT	504.5	581.8
Lyman Creek	2009	MT FWP	240.0	367.9
Goguen	2009	Michael Goguen	434.8	601.0
Coffee Creek	2009	Christine Orning	80.0	80.0
CS&KT Phase 1	2010	CS&KT	2,412.0	3,171.3
Lolo	2010	USFS	12,137.7	10,530.4
CS&KT Phase 2	2011	CS&KT	2,103.8	2,900.3
Prairie Elk	2011	Prairie Elk Colony	90.0	135.0
Peebles	2012	Bob Peebles	710.0	716.0
Nistler	2012	Lawrence & Jean Nistler	160.0	160.0
Montgomery	2014	William Montgomery	0.5	10.0
Totals 2005-2015			20,313.3	21,991.7
Net gain/loss of trust land acres through land exchanges 2005 - 2015				1,678.4

Proposed Land Exchanges

Land Exchange Applicant	County	Acres of Private Land Proposed for Exchange	Acres of State Land Proposed for Exchange	Status
Gallatin County Solid Waste District	Gallatin	634.5	636.1	Due diligence evaluation
Pugsley Ranch Inc.	Liberty	62.42	44.44	Preliminary land exchange criteria evaluation
SRI River Holdings, LLC	Madison & Silver Bow	861.48	608	Due diligence evaluation

Property Management Section

The bureau leases property for a number of uses, including long-term commercial ventures, cabin sites, and short-term leases for such things as beehives, irrigation pipe, access roads, or advertising. In setting lease rates, the Land Board must optimize the return to the school trust and be in the best interest of the state in terms of long-term productivity. The law also requires the Land Board to:

consider the impact of the uses on the school trust asset, lessee expenses for management, water development, weed control, fire control, the term of the lease, the production capabilities, the conditions on the lease payment, and any other required expenses reasonably borne by the lessee.¹⁹

Cabin Site Leasing

As previously noted, the Legislature directed the DNRC to start selling cabin sites in a reasonable time frame with respect to obtaining full market value for the properties. However, the vast majority of cabin sites on state land are still managed as leased property. Leases are generally for 15 years, although may be as long as 35 years if the lessee demonstrates a longer lease is needed to secure a loan.²⁰

Most of the present-day cabin sites were developed in the 1940s and 1950s and were initially leased for \$5 a year. In later years, leases increased to between \$50 and \$75 a year for many lots, but as high as \$150 for lots on Placid Lake or Flathead Lake.²¹

In 1981, the Land Board proposed establishing the market value of the cabin sites through competitive bidding. Not surprisingly, the proposal was controversial. The Land Board withdrew the proposal and the Legislature responded in 1983, stating the bidding rules would have allowed out-of-staters and others to drive up costs and pose a hardship on current lessees. The preamble to the bill, which established the rate as 5% of the lease value of the property, added:

WHEREAS, allowing current cabin site licensees and lessees to continue to enjoy the benefits of existing licenses and leases and the benefits of their labor is a worth object helpful to the well-being of the people of this state in that it promotes continuity in the care of state lands, promotes use of state lands by the public by

¹⁹ 77-1-106, MCA.

²⁰ ARM [36.25.1010](#)

²¹ DNRC, [Analysis of Cabinsite Lease Payment Alternatives](#), 2009

granting a minimal expectation of continuing enjoyment, and promotes satisfaction with governmental processes.”²²

The agency appraised the cabin sites and determined the “lease value” to be 70% of the appraised market value. If the market value of a cabin site lot is \$50,000, the lease value is \$35,000. At 5%, the annual rent would be \$1,750. This assessment started in 1988.

Just one year later, the Legislature set the lease rate at 3.5% of the appraised value, as determined by the Department of Revenue.²³ However, in 1993, the Legislature terminated that formula and simply directed the Land Board to set the annual fee based on the full market value. That bill also required that the Land Board consider the expenses incurred by cabin site lessees to preserve the value of the state land or to provide services that are commonly provided by private landlords in the area.²⁴

An economic study determined the rental rate for cabin sites could range from 6.6% to 12% of the market value. However, the Land Board maintained the rental rate at 3.5% of the value determined by the Department of Revenue. The Supreme Court found the formula did obtain full market value for the use of the trust lands. In 2001, the Land Board increased the cabin rental rate to 5% of market value.²⁵

The appraised value of property, especially in western Montana, increased greatly in the 2000s. In anticipation of how those increases would affect cabin site leaseholders, the Land Board adopted a policy to phase in increases over a number of years. Dissatisfaction with that solution brought the issue back to the Legislature in 2011. [Senate Bill 409](#) established a competitive bidding process for vacant lots that would be averaged by neighborhood for existing leases up for renewal.²⁶

Both the Land Board policy and the legislation were challenged in court for failing to secure a full market value rate of return. In 2015, the state settled the lawsuit provided the following:²⁷

- Senate Bill 409 is void as are the rules implementing the bill and the prior Land Board policy.
- Current leases remain as is until expiration.
- The fee for all renewed leases is 5% of the land value.
- Bids on unleased tracts starts at 6.5% of the land value, but the DNRC may reduce the rate to 5% of the land value after 60 days. In neighborhoods with vacancy rates higher than 30%, the DNRC may reduce the minimum bid rate incrementally until the vacancy rate of the neighborhood is no longer greater than 30%. Bid rates may not be less than 3.5% of the land value.
- The minimum annual lease fee for all renewals or new bids is \$800.
- Lease rates will be reevaluated by the Land Board through a contracted Lease Rate Valuation Analysis every two years to consider bidding and bid rates, as well as vacancy numbers within the program.

Rules implementing the settlement took effect in June. Three-fourths of the existing leases are under the policy passed by the Land Board prior to the legislation. These leases will mostly expire within the next six years, when they would be subject to the recently approved formula.

²² Chapter No. 459, 1983.

²³ Senate Bill 226, 1989.

²⁴ Senate Bill 424, 1993.

²⁵ DNRC, [Analysis of Cabinsite Lease Payment Alternatives](#), 2009.

²⁶ [Montana Trust Land Cabin Site Lease Rate Valuation Analysis](#), 2015.

²⁷ DNRC, [Frequently Asked Questions](#), Nov. 10, 2015

An injunction in 2012 prevented any leasing pursuant to SB 409. As per the settlement agreement, the provisions of SB 409 are void; however, statutes remain in the Montana Code Annotated, specifically 77-1-235, MCA, and 77-1-236, MCA, and related amendments. The EQC may consider repealing those laws.

Commercial Leases

At the request of the agency, the 2003 Legislature provided the framework for the commercial leasing of state trust lands. The Land Board has broad authority in managing state lands, but the DNRC wanted to clarify that authority for commercial leases.²⁸

A commercial lease could be issued for industrial enterprise retail outlets, office buildings, warehouses, and multifamily dwellings, among other things. Commercial leases do not cover single-family homes or uses for agriculture, grazing, mineral development, or rights-of-way.²⁹

Commercial leases may be for a term of up to 99 years.³⁰ According to the department, the benefits of leasing state land for commercial development include the following:

- Many commercial lots on trust land are located within the city limits of the growing communities of Bozeman, Missoula, Billings, Kalispell, Miles City, and Belgrade. Rural locations may be ideal for communication towers or wind development.
- A ground lease significantly reduces a developer's front-end costs because there is no need to finance the acquisition of the land. The developer has more capital available for building and construction.
- Rent payments made under a ground lease can be deducted as a business operating expense by the lessee.
- The ground lease allows for subleasing the land and is transferable if the developer wishes to sell the improvements.

The rental payment must be the full market rental value of the land. The minimum may not be less than the appraised value of the land multiplied by a rate that is 2 percentage points a year less than the rate of return on state investments.³¹

The Land Board may credit the rental payment for payments made on behalf of the state for structures and other improvements and local government fees. At the expiration of a lease, all permanent improvements and fixtures on the state property revert to the state. The lease must describe the transfer and may include an amortization schedule to determine the value to the lessee of the improvements.³²

State land is being used for office space, lodging facilities, a feedlot, grain bins, communication towers, a golf course, a water treatment plant and retail establishments including Costco, Starbucks, Verizon, and Cabela's.³³ A number of sites are available to lease. After identifying lands available for commercial leasing, the department releases a request for proposal (RFP) to solicit interest in the lands. In fiscal year 2015, the agency signed six new leases that will generate about \$354,000 a year: including the following:³⁴

²⁸ Environmental Quality Council [minutes](#), July 2002, p.25.

²⁹ 77-1-902, MCA.

³⁰ 77-1-904, MCA.

³¹ 77-1-905, MCA. The market value is generally between 4% and 7%, which is more than the minimum.

³² 77-1-905 and 77-1-906, MCA.

³³ DNRC Commercial Leasing [Brochure](#).

³⁴ DNRC Trust Lands Management Division [Annual Report, FY 2015](#).

- Section 36 in Kalispell experienced continued retail development over the year. Work began on the new 28.2-acre Spring Prairie IV lease. The first development on the site will be a hotel.
- In Bozeman, the remaining lots of the Lewis and Clark Commerce Center received proponents for commercial development. Three new leases were signed, and one option to lease. Development began on new storage facilities, office and retail space, a church, and a new hotel.
- In Helena, the former Department of Corrections building was demolished to build an office building that will house DNRC staff. The new building is under construction.

In the last year, the agency released several requests for proposals for commercial development. The agency signed two leases that generate \$17,500 a year and issued three new options to lease that generate \$29,000 a year. Four additional lease proposals are currently under review and are anticipated to be under contract this summer.



A 2013 audit of the commercial leasing program said the agency could be more proactive in preparing properties for commercial leasing and seeking developers and also noted that the department could request additional funding to help pursue additional commercial development.³⁵

In a follow-up report in September 2015, auditors noted that the department identified 128 new parcels with a high potential for real estate development but decided not to pursue any of them at the time, instead focusing on current projects. The follow-up said the department does not have targets or time frames for commercial leasing but did

³⁵ [Management of Oil and Gas and Commercial Leasing on State Trust Lands](#), Performance Audit, October 2013.

request funding from the 2015 Legislature for a new employee to focus on commercial leasing and marketing. The funding request failed to pass.³⁶

Other results and follow-ups from the audit include the following:³⁷

- For some leases, the agency was using an alternative methodology to set the rent instead of an appraisal or the minimum set by statute. For instance, the value of the acreage used for a cell phone tower is less than the market value to place a cell phone tower on private or federal land. The department proposed [House Bill 46](#) in 2015 to allow alternative methodologies. The bill died.
- The audit found that the agency did not always issue an RFP prior to granting a commercial lease and that the leasing process was inconsistent. As of the October 2013 audit, the agency did not have a leasing procedure in place. In January 2015, the department implemented a leasing procedure that included the requirement that RFPs be broad requests for proposed uses of the land. The September 2015 audit follow-up examined two recent leases. The RFP for one lease was broadly written and requested offers for the highest and best use of the land. The other RFP specifically solicited a developer to lease state land and build an office that would be leased back to DNRC. The follow-up stated: “questions still remain regarding the integrity and defensibility of how the department issues commercial leases in the best interest of state trust land beneficiaries.” However, the DNRC notes that the RFP for the building was issued in May 2014, after the initial audit but prior to the adoption of the new procedure.
- The audit recommended policies to monitor commercial leases. The department wrote a policy, but the follow-up noted that monitoring is still a work in progress.

A list of commercial projects is contained in Appendix C.

Other Leases

Hydropower Leases

Leases of riverbeds for hydropower and other uses are governed under separate laws from commercial leases.

Hydroelectric leases must be assessed for the power site, which is defined as the land under the dam as well as each tract of land under the reservoir.³⁸ The rental may not be less than the full market value as ascertained from all available sources.³⁹

There are three hydropower leases. The state attorney general is working on a court action that seeks to clarify state ownership of the beds of the Missouri, Madison, and Clark Fork rivers where the dams owned by NorthWestern Energy sit.

Riverbed Leases

In 2011, the Legislature passed a law requiring the state to charge for the use of riverbeds owned by the state. It also provided an avenue for those who have historically used riverbeds for such things as irrigation diversions to apply for a lease, license, or easement.⁴⁰ This followed a March 2010 decision by the Montana Supreme Court that declared

³⁶ Management of Oil and Gas and Commercial Leasing on State Trust Lands, Performance Audit [Follow-Up](#), September 2015.

³⁷ Ibid.

³⁸ 77-4-202, MCA.

³⁹ 77-4-208, MCA.

⁴⁰ [Senate Bill 35](#), 2013.

large stretches of the Missouri, Madison, and Clark Fork rivers as navigable, meaning the beds are owned by the state.⁴¹

The legislation required the DNRC to provide notice to those who owned property along a river adjudicated as navigable prior to Oct. 1, 2011. The fiscal note estimated providing notice to 1,000 property owners along 1,873 miles of waterway declared navigable by the Montana Supreme Court. The estimated cost for notice was \$2,640.⁴²

By applying for a historic use authorization, the user pays for a lease, license, or easement from the date of issuance. The application is exempt from the Montana Environmental Policy Act, an antiquities review, and survey requirements. Existing users had until July 2017 to take advantage of the historic use provisions in law.

In the four months following the enactment of the 2011 law, the DNRC did not issue the notice. In February 2012, the United States Supreme Court overturned the state ruling, remanding the issue back to the state to determine ownership of riverbeds.⁴³

However, state law still says property owners whose property bordered navigable rivers as of 2011 – in other words, the determination of the Montana court – must be notified by the DNRC. In 2015, the Legislature revised the law, requiring the department to provide notice by July 1, 2016, to those property owners. Senate Bill 56 also extended the deadline for historic use authorization to July 2021.⁴⁴

The fiscal note to SB 56 estimated a higher cost and more notification than the fiscal note to the 2011 legislation, even though the requirements were the same. In 2015, the department based the estimate on providing notification to all property owners along rivers for which the state has “historic evidence” of ownership. It estimated that the notice would cost almost \$15,000 and asserted that a short-term employee would be needed at a cost of about \$2,300 to handle the influx of inquiries stemming from the notice.⁴⁵

Noting that funding was not appropriated for the notice, the department sent notice in August 2015 to 56 property owners along rivers where the state owned the bed as of 2011 that were not struck down by the U.S. Supreme Court. In June 2016, 134 property owners along the Big Horn River also were notified. See Appendix D for current map of state-owned riverbeds.

Future determinations of state ownership trigger a six month period following the court decision, during which the department must notify adjacent landowners of the requirement to obtain a lease, license, or easement for any uses of the riverbed. The property owners have five years from the date of the notice to obtain authorization under this historic use statute.⁴⁶

The department may issue a lease, license, or easement for uses on riverbeds that have not been declared state-owned by a court provided the agency has historical evidence of state ownership.⁴⁷

Conservation Leases

⁴¹ PPL Montana, LLC v. State.

⁴² Senate Bill 35 [fiscal note](#), 2011.

⁴³ [PPL Montana, LLC v. State](#).

⁴⁴ [Senate Bill 56](#), 2015.

⁴⁵ [Fiscal Note](#), Senate Bill 56, 2015.

⁴⁶ 77-1-114, MCA.

⁴⁷ ARM, [36.25.1102](#).

There are 13 conservation leases for which the primary use is to preserve natural resources or habitats. The leases include development restrictions.

Short-Term Leases

The department also issues short-term authorizations in the form of land use licenses that are valid for up to 10 years. These include temporary access roads, grain bin sites, storage areas for gravel, and pipelines for stock water.

Licenses are issued for a secondary use of state land other than its primary classification. The license may be subject to competitive bidding, the value of the land, or the value of similar uses on other land.

The bureau also rents a recreational property. The Sula Cabin sleeps four people and is awarded to the high bidder from September through November for hunting season. Bidding starts at \$1,800. It has a wood stove, a refrigerator, and a cook stove. It was not rented in 2016.



Rights of Way Section

State law allows for a variety of easements on state land. Easements, or rights-of way, are uses of the land that are secondary to the primary use. Easements are often a permanent disposal of the state interest, as opposed to a short-term lease. Some easements allowed on state land include:⁴⁸

- Private access roads to fee simple title landowners for residential or land management purposes.
- Public access roads under the jurisdiction of a city, county, or state.
- Transmission lines operated by a utility company.
- Oil or gas pipelines operated by a utility company or industrial corporation.
- Water and sewer lines operated by an organized district or municipality.
- Public parks, cemeteries, schools, and community buildings.
- Encroachment on state lands by private buildings or sewage systems.

The application fee for an easement is \$50 and the minimum cost of an easement is \$100. The cost must reflect the full market value of the easement. If the easement is no longer used for its specified use, the easement is terminated.

The department may negotiate reciprocal easements to provide access to state parcels with no legal access or propose easement exchanges to gain access to nonisolated state parcels. In the last fiscal year, the department reported using these provisions to gain access to 21,000 acres of trust land via two miles of road.⁴⁹

Easements for county roads are the focus of a study being conducted by the Education and Local Government Interim Committee. Some county roads have existed on state land for decades without a legal easement. The 1997 Legislature enacted 77-1-130, MCA, which allowed counties to purchase road easements on state land for a fraction of the fair market value. The state lost a lawsuit in 1999 because the statute allowed less than full market value to be paid for the easements. Current law requires DNRC to obtain full market value for easements.⁵⁰

⁴⁸ 77-2-101, MCA.

⁴⁹ DNRC, Trust Lands Management Division [Annual Report FY2015](#).

⁵⁰ SJR 20 Study of County Road Easements on State Trust Land, [Mid-Interim Study Update](#), April 2016, Leanne Kurtz, Legislative Services Division.

Until last session, counties were required to apply for easements before Oct. 1, 2015. The Legislature extended the deadline to 2021. However, many counties are unable to identify the roads for which easements are required. Nor do they have the funds to pay for the easements. Others object to easement requirement.⁵¹

As part of the committee study, DNRC provided a cost estimate of \$448,000 for research and analysis of road information for the 35 counties that likely would need the services. The process would take about five years.

Appendix E shows the current status of historic road easements by county.

Financial Overview

The bureau has 10 employees in Helena and one person hired with one-time-only funding for cabin site sales. There are another 11.5 full-time equivalent employees in field offices around the state.

Real Estate Management Bureau Expenditures				
	FY 2015	FY 2015	FY 2015	
	Personal Services	Operations	Total	Funding Sources
Bureau	\$710,921	\$273,600	\$984,521	Trust Administration Account
Land Bank	\$0	\$18,489	\$18,489	Land Bank
Land Exchange	\$0	\$2,000	\$2,000	Land Exchange
Historic ROW	\$7,619	\$0	\$7,619	Historic ROW fees
Historic ROW OTO	\$2,300	\$0	\$2,300	Historic ROW fees
Non Trust	\$69,701	\$519	\$70,220	General Fund ⁵²
Total	\$790,541	\$294,608	\$1,085,149	
Field Offices	\$824,891	\$80,365	\$905,256	Trust Administration Account
Total	\$1,615,432	\$374,973	\$1,990,405	

⁵¹ Ibid.

⁵² The bureau maintains land records nontrust lands owned by other agencies.

REMB Revenues	FY2011	FY2012	FY2013	FY2014	FY2015	YTD FY2016
Rights-of-way/Easements	\$566,817	\$952,198	\$5,618,211	\$1,991,686	\$5,289,876	\$1,689,317
Residential Leases/Licenses	\$1,816,222	\$1,978,372	\$2,156,384	\$2,262,202	\$2,290,410	\$2,408,270
Commercial	\$1,253,421	\$1,556,316	\$1,308,690	\$1,531,681	\$1,682,656	\$1,620,388
Conservation	\$93,684	\$94,506	\$94,529	\$93,763	\$97,148	\$97,410
Other⁵³	\$81,712	\$64,876	\$75,571	\$588,696	\$257,085	\$3,778
Hydro/NavRivers	\$4,432,014	\$4,382,113	\$4,504,391	\$4,573,022	\$4,647,101	\$4,639,418
TOTALS	\$8,243,871	\$9,028,381	\$13,757,776	\$11,041,050	\$14,264,276	\$10,458,581

In fiscal year 2015, the DNRC sold two easements to the Department of Fish, Wildlife and Parks, helping boost the easement revenue. The easement for Thompson Falls State Park was \$275,000, and an easement at the Lewis and Clark Caverns was \$640,000. The Whitefish Public Recreational Use easement brought in another \$3.4 million.⁵⁴

⁵³ In 2014 and 2015 this category included atypical revenue, including \$234,835 for a sale of timber rights to the Department of Fish, Wildlife and Parks. The FWP paid to maintain the habitat instead of harvesting the timber. Deposits of almost \$440,000 came from the interest associated with the Whitefish Trail Easement.

⁵⁴ DNRC, Trust Lands Management Division [Annual Report FY2015](#).

Appendix A: Land Bank Report

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.

Department of Natural Resources and Conservation – July 2016

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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

Department of Natural Resources and Conservation – July 2016

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.

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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



Department of Natural Resources and Conservation – July 2016

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



Department of Natural Resources and Conservation – July 2016

Appendix B: Cabin and Home Site Report

Department of Natural Resources and Conservation Report to the Environmental Quality Council on SB369 Cabin and Home Site Sales July 2016

Background:

SB369 passed the Legislature in 2013 with bipartisan support. SB369 enacted a cabin and home site sale 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 that provide equal or better revenue for trust beneficiaries.

Statute requirements:

- Require the sale of cabin and home sites at the request of a lessee or improvements owner, only if approved by the Land Board and the sale is consistent with the Board's fiduciary duty of attaining full market value.
- The Department is required to on or before July 1 of each year, in consultation with the appropriate stakeholders, report to the environmental quality council by providing a summary of land sales of those lands that were state land cabin or home sites pursuant to 77-2-318 and efforts by the department to comply with the requirements of 77-2-318(1).

Goals of the program:

- Make available for sale cabin and home sites at the request of a lessee or improvements owner, only if approved by the Board and the sale is consistent with fiduciary duty of attaining full market value.
- To maximize the revenue from the sale of these state cabin sites to the beneficiaries, the properties must be sold over a reasonable period of time.
- Improve the investment portfolio of the beneficiaries by purchasing replacement lands that provide better income return, or invest sale funds in the permanent fund.
- Sale of approximately 40 additional cabin and home sites per year for 2016 and 2017.

Milestones:

- Administrative Rules (ARM 36.25.701 through 708) were given final approval by the Board of Land Commissioners in December 2013.
- Since 2014 the following cabin/home sites have been sold.

Sale Location	Grant	Sale Price	Appraised Value of Improvements	Sale Price Applied to Easements
Lot 21, Echo Lake	Montana Tech	\$460,000	\$240,000	\$5,299
Lot 16, Elbow Lake	Pine Hills	\$150,000	\$45,000	\$22,620
Lot 13, Morrell Flats	MSU	\$50,000	\$100,000	\$0
Lot 6, Bear Canyon	Western/Eastern	\$17,500	\$415,000	\$4,000
	Montana Tech	\$52,500		\$0
Lot 6, Beaver Lake	Montana Tech	\$176,000	\$39,000	\$126,380
Lot 32, Echo Lake	Montana Tech	\$350,000	\$420,000	\$9,199
Lot 37, Echo Lake	Montana Tech	\$270,000	\$25,240	\$10,299
Lot 39, Echo Lake	Montana Tech	\$280,000	\$305,000	\$0
Lot 41, Echo Lake	Montana Tech	\$330,000	\$225,000	\$0
Lot 32, Lake Rogers	Montana Tech	\$230,000	\$530,000	\$0
Lot 9, Morrell Flats	MSU	\$28,000	N/A	\$0
Lot 11, Morrell Flats	MSU	\$50,000	\$103,000	\$0

- The Department's portion of processing costs for cabin/home site sales as of June 30, 2016 is approximately \$28,000. These costs include appraisal fees, land surveys, marketing and closing costs.
- In August 2015, the department sent a letter to 750 lessees and improvement owners explaining the sale program and soliciting interest for 2016 & 2017. 201 responses were received and the department selected 104 lots to move forward in 2016 & 2017.

Department of Natural Resources and Conservation – July 2016

Cabin & Home Sites – by County

County	# of Sites	# of Acres	2014 DOR Value
Beaverhead	2	2.51	\$70,871
Big Horn	2	5.60	\$12,520
Blaine	3	16.37	\$37,260
Broadwater	2	11.17	\$69,155
Cascade	4	15.10	\$151,580
Chouteau	16	100.07	\$387,188
Custer	1	10.94	\$20,934
Daniels	7	42.37	\$131,597
Dawson	1	6.35	\$17,220
Fallon	2	28.70	\$5,606
Fergus	5	32.13	\$120,899
Flathead	177	307.72	\$27,926,937
Gallatin	12	39.25	\$1,500,062
Golden Valley	2	12.23	\$15,676
Hill	1	15.00	\$30,200
Judith Basin	5	39.49	\$129,429
Lake	38	106.75	\$5,712,541
Lewis & Clark	69	99.94	\$2,914,504
Lincoln	13	48.13	\$456,631
Madison	4	15.78	\$239,206
McCone	1	15.30	\$2,738
Meagher	1	12.40	\$41,738
Mineral	7	14.41	\$106,974
Missoula	260	517.39	\$22,641,813
Musselshell	6	43.46	\$123,404
Phillips	2	10.21	\$22,600
Pondera	2	11.76	\$34,760
Powder River	2	3.06	\$31,096
Powell	12	18.42	\$501,311
Prairie	3	10.87	\$30,783
Richland	5	61.77	\$218,327
Rosebud	1	1.08	\$11,404
Sanders	66	60.01	\$1,322,949
Sheridan	6	45.16	\$121,500
Stillwater	2	13.51	\$57,042
Sweet Grass	1	3.47	\$4,664
Toole	1	8.32	\$19,820
Valley	5	37.90	\$121,060
Wheatland	5	34.74	\$44,189
Wibaux	1	1.94	\$21,868
Yellowstone	4	18.88	\$213,772
Totals	759	1,899.66	\$65,643,828

Cabin & Home Sites – by Area Office

DNRC Area Office	# of Sites	# of Acres	2014 DOR Value
Central	29	117.42	\$2,153,056
Eastern	17	140.01	\$359,976
Northeastern	57	385.67	\$1,161,598
Northwestern	294	522.61	\$35,419,058
Southern	15	84.92	\$411,402
Southwestern	347	649.03	\$26,138,738
Totals	759	1,899.66	\$65,643,828

Cabin & Home Sites – by Grant

Grant	# of Sites	# of Acres	2014 DOR Value
MSU – 2 nd Grant	204	438.74	\$18,369,726
MSU - Morrill Trust	2	6.0	\$226,600
Common Schools	311	1,005.65	\$22,738,107
Deaf & Blind School	37	65.9	\$1,385,219
Public Buildings	56	137.44	\$1,953,213
Veterans Home	1	16.4	\$47,051
Montana Tech	100	152.21	\$17,446,399
Eastern/Western	11	19.0	\$873,110
Pine Hills	36	53.38	\$2,486,140
University of Montana	1	5.0	\$118,263
Totals	759	1,899.66	\$65,643,828

Department of Natural Resources and Conservation – July 2016

2015 REAL ESTATE PROJECT LIST

DNRC is currently developing the following Real Estate Projects in compliance with the agency's Real Estate Management Plan.

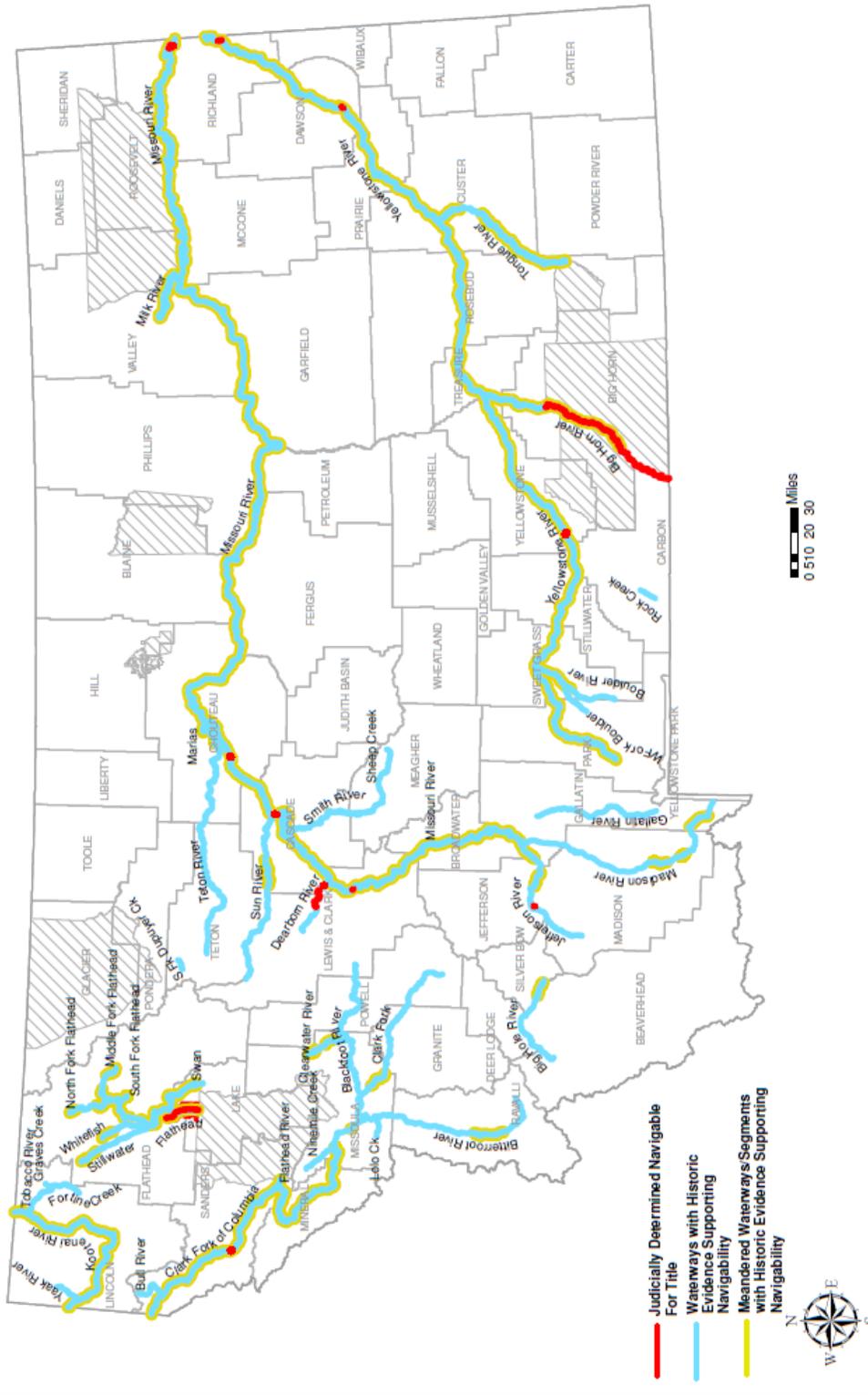
Real Estate Project	Description	Grant	Office	County	Acres	Urban/ Rural	Goal A: Share in Expected Community Growth	Goal B: Plan Proactively	Goal C: Increase Revenue for Trust Beneficiaries
Alaska Road	Commercial/industrial development - Marketing and development of parcel.	Common Schools	CLO	Gallatin	3.3	Urban	Adjacent to existing development and Interstate 90. In growth area.	Annexed and rezoned parcel without negative comments.	Property currently being marketed for commercial lease.
Amsterdam Road	Mixed use development -Annexation and rezoning of parcel.	Common Schools	CLO	Gallatin	450	Urban	Has development on four sides. In growth area.	Dept. will work with public and local planning agency.	Current revenue from agricultural lease.
Lewis & Clark Subdivision	Commercial/industrial development - market and lease of lots.	Common Schools	CLO	Gallatin	28	Urban	Addresses the need for light industrial ground in Bozeman.	Developed and leased.	Leased and returning revenue to the Trust.
North Park	Commercial/industrial development - Design and engineering of subdivision.	Common Schools	CLO	Gallatin	178	Urban	Annexed by the City of Bozeman to increase the M1 zoned land available within the City Limits.	Annexed and rezoned parcel without negative comments.	Increase from Ag revenue to higher commercial income.
Bull Pasture Subdivision	Commercial/industrial development - Marketing of parcel.	Pine Hills School	ELO	Custer	60	Urban	Less than one mile from Miles City. Supported by local planning office.	Multiple public meetings were held.	1 of 5 lots currently under lease. The lots remaining are being marketed for lease.
Spring Prairie Commercial Infill	Commercial/professional development - Design, marketing and lease of lots.	Common Schools	NWLO	Flathead	100	Urban	PUD was approved by Kalispell and is in a growth corridor.	An extensive PUD was created and approved by Kalispell.	Yearly revenues will drastically increase with development proceeds.
Stillwater Industrial	Industrial development - Marketing of parcel and RFP process.	State Normal School	NWLO	Flathead	40	Rural	Allowed industrial use in Whitefish Neighborhood Plan	Property is located in approved Whitefish Neighborhood Plan.	Currently used as managed forest land.
Indian Springs Ranch	Residential development - easement exchange to allow expansion of golf course. Future sale of residential lots on remainder of tract.	Common Schools	NWLO	Lincoln	40	Urban	Adjacent to proposed residential development on two sides.	Dept. will work with public and local planning agency.	Current revenue from grazing lease.
Cripple Horse Creek	Site is adjacent to an existing commercial resort on Lake Kookanusa. Department will be conducting survey and conceptual planning and investigation to determine feasibility of developed commercial recreation at this site.	Public Buildings	NWLO	Lincoln	162.5	Rural	Adjacent resort is at capacity; demand for recreation continues to grow.	Dept. will work with public and local planning agency.	Currently used as managed forest land.
Libby Creek/Ponderosa Plantation	Site has several existing residential lease areas. Department will engage in planning activities and securing entitlements for marketing the parcel for	Common Schools	NWLO	Lincoln	120	Rural	Adjacent development. Several entities interested in parcel.	Dept. will work with public and local planning agency.	Will add value to land, improve potential for sale to developer.



Real Estate Project	Description	Grant	Office	County	Acres	Urban/Rural	Goal A: Share in Expected Community Growth	Goal B: Plan Proactively	Goal C: Increase Revenue for Trust Beneficiaries
Libby Golf Club area lands	future residential development. Site is adjacent to the Libby Golf Club. Department will be investigating potential for making some of this section available for future residential development.	Common Schools	NWLO	Lincoln	640	Rural	Adjacent development. Potential for residential and commercial development.	Dept. will work with planning agency. public and local	Adding Entitlements will increase development value.
Libby area lands	Department will be investigating potential for development of future low density residential development in these two sections.	Common Schools	NWLO	Lincoln	800	Rural	Adjacent development. Potential for residential development.	Dept. will work with public and local planning agency.	Adding Entitlements will increase development value.
Libby area lands	Department will be investigating potential for development of future low density residential development in this section.	Common Schools	NWLO	Lincoln	45.9	Rural	Adjacent development. Potential for residential development.	Dept. will work with public and local planning agency.	Adding Entitlements will increase development value.
Thompson Falls area lands	Site is adjacent to existing Thompson Falls Golf Course. Department will review the site for potential commercial, developed recreation, and/or commercial development.	Common Schools	NWLO	Sanders	46	Rural	Adjacent development. Potential for residential and commercial development.	Dept. will work with public and local planning agency.	Adding Entitlements will increase development value.
Skyview Ridge Subdivision	Mixed use development - Sell residential and lease commercial development.	Common Schools	SLO	Yellowstone	285	Urban	Infill location with development on three sides.	Parcel has been in stages of master planning since mid 1980's.	Yearly revenue will increase as new leases are issued, and sale proceeds are generated for reinvestment.
Reserve Street	Commercial/professional development - Marketing and maintenance.	Common Schools	SWLO	Missoula	2.8	Urban	Infill location on a primary commercial corridor.	All entitlements exist and marketing plan was initiated	Property currently being marketed for commercial lease.

Appendix D: State-Owned Riverbeds

NAVIGABLE WATERWAYS OF MONTANA, JUDICIALLY DETERMINED FOR TITLE (Red) AND WATERWAYS OR SEGMENTS WITH HISTORIC EVIDENCE SUPPORTING NAVIGABILITY (Lt. Blue), AND MEANDERED WATERWAYS OR SEGMENTS WITH HISTORIC EVIDENCE SUPPORTING NAVIGABILITY (Yellow)



Red lines and/or polygons indicate waterways and/or segments of waterways in Montana that have been judicially determined as navigable for title. Yellow lines indicate waterways and/or segments with historic evidence supporting navigability that are meandered on General Land Office (GLO)/survey plats. Light blue lines show areas with historic evidence supporting navigability. The State of Montana owns navigable waterways pursuant to the Equal Footing Doctrine, state statutes, and judicial determination case law. For more information, contact the Montana Department of Natural Resources and Conservation, Trust Land Management Division at 406-444-2074. June 18, 2013 Edition. T. Kinley

Appendix E: County Road Figures as of April 11, 2016

	Trust Land Acreage Within County	Percentage of State Ownership	Granted Under Historic ROW	App. Received In Process	Processed - No Payment (not issued)	Existing ROW's Prior to Historic ROW Statute*	Compensation Paid to Trusts Per Historic ROW Grants	
Beaverhead	333,492.25	9.35	60	1		5	\$119,896	
Big Horn	60,416.31	1.88				7		
Blaine	183,273.91	6.76	37	22		33	\$108,515	
Broadwater	22,671.92	2.86	1			4	\$3,880	
Carbon	40,288.36	3.05				11		
Carter	143,534.40	6.70	46			3	\$13,427	
Cascade	78,917.76	4.55	13			63	\$58,308	
Chouteau	264,335.58	10.34				12		
Custer	155,071.21	6.39				5		
Daniels	213,429.96	23.38				253		
Dawson	87,274.13	5.73	65		1	12	\$45,656	
Deer Lodge	7,233.06	1.53	NO ROW'S ISSUED ON STATE TRUST LAND					
Fallon	70,427.63	6.79	77			19	\$26,615	
Fergus	160,294.76	5.76	37	2		9	\$70,302	
Flathead	133,242.89	3.96	3		3	35	\$33,903	
Gallatin	49,995.24	2.97				12		
Garfield	153,368.11	4.95				2		
Glacier	8,347.51	0.43				2		
Golden Valley	47,952.65	6.38	9			2	\$13,844	
Granite	19,792.77	1.79				7		
Hill	154,796.35	8.30			8	59		
Jefferson	31,677.84	2.99				7		
Judith Basin	98,606.11	8.25	7			15	\$41,610	
Lake	72,434.40	6.85				1		
Lewis & Clark	133,692.15	5.98	1			3	\$12,960	
Liberty	85,512.71	9.24	9	1		20	\$13,379	
Lincoln	66,663.26	2.84				3		
Madison	133,133.37	5.78	1			6	\$2,029	

McCone	94,535.18	5.51	15	25		26	\$13,705	
Meagher	89,087.99	5.82				1		
Mineral	26,877.22	3.44				7		
Missoula	96,219.31	5.75			1	6		
Musselshell	76,283.65	6.38	1		1	7	\$1,280	
Park	33,496.12	1.86				3		
Petroleum	63,470.29	5.93				1		
Phillips	190,216.89	5.71	35	36		34	\$49,748	
Pondera	59,400.88	5.66	2			16	\$1,032	
Powder River	142,733.77	6.77	NO ROW'S ISSUED ON STATE TRUST LAND					
Powell	72,470.45	4.86	4	6		1	\$26,635	
Prairie	79,302.44	7.12	54			8	\$23,463	
Ravalli	30,218.50	1.97				1		
Richland	83,004.92	6.17	83			28	\$38,315	
Roosevelt	19,903.77	1.31	22			9	\$18,161	
Rosebud	172,930.31	5.38	6			4	\$16,020	
Sanders	63,494.07	3.56				25		
Sheridan	45,146.80	4.14				20		
Silver Bow	13,236.07	2.88	NO ROW'S ISSUED ON STATE TRUST LAND					
Stillwater	44,183.97	3.83				26		
Sweet Grass	47,423.26	3.98				3		
Teton	108,238.91	7.38	2		2	14	\$2,710	
Toole	97,308.70	7.82	56	4	3	51	\$73,151	
Treasure	36,209.82	5.76	NO ROW'S ISSUED ON STATE TRUST LAND					
Valley	218,407.95	6.75	85	1	1	215	\$52,444	
Wheatland	71,167.86	7.79				5		
Wibaux	33,801.43	5.94	NO ROW'S ISSUED ON STATE TRUST LAND					
Yellowstone	71,009.64	4.19	35			36	\$101,563	
							\$982,551	
		*It is believed that quite a few of the roads granted under these earlier easements were never constructed in the location provided in the easement.						