



Department of Natural Resources & Conservation

LAND BANKING REPORT

July 2020

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 & 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 were 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.





Land Banking rules require a rigorous examination of state trust land prior to sale, including 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 increasing public access to state trust land through strategic sales and acquisitions, improving the investment portfolio of the beneficiaries by diversifying land holdings and enhancing management and stewardship activities with land consolidation. To date, DNRC has accomplished:

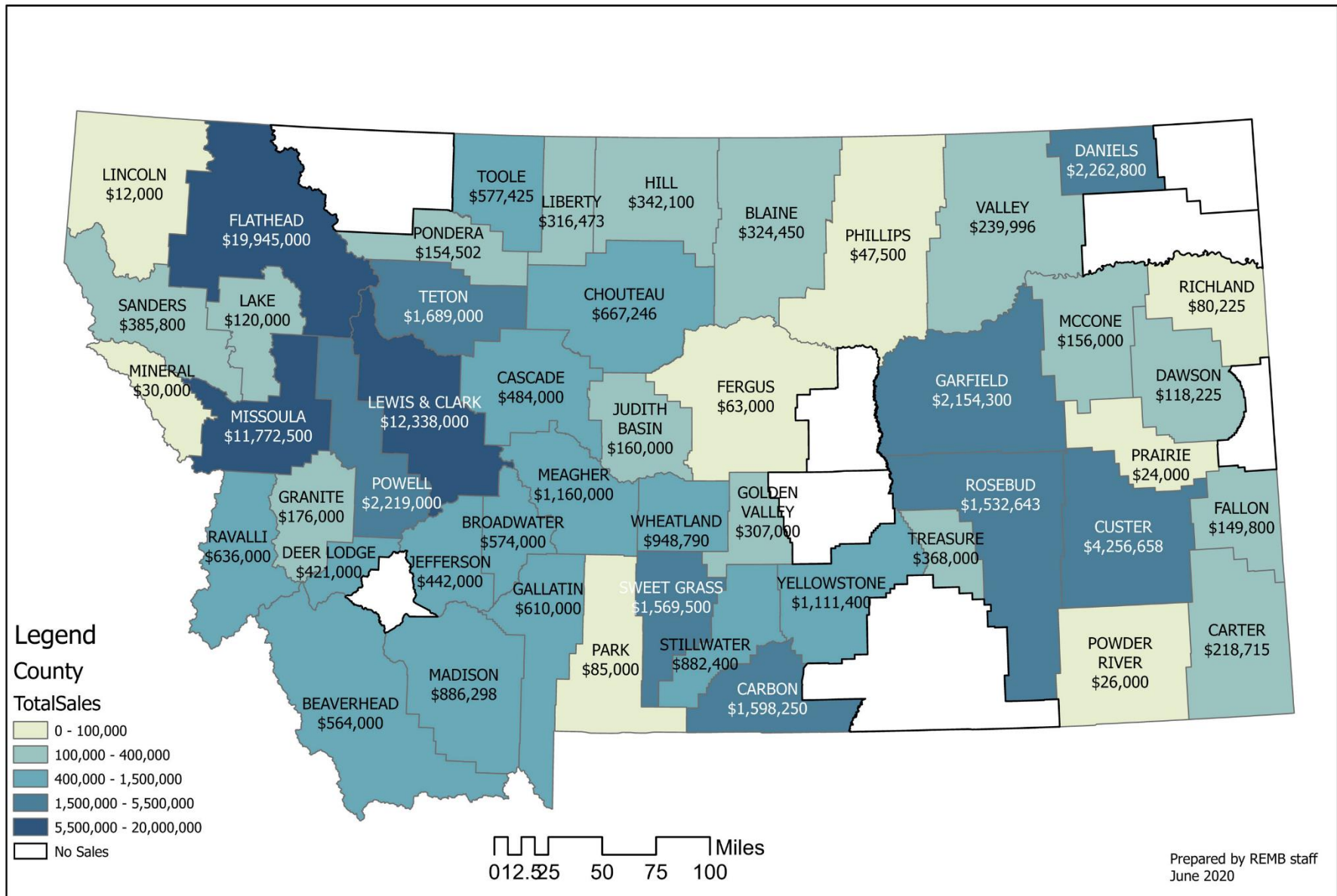
- Isolated sales make up 75% of all acreage sold since the Land Banking program's inception in 2003, while all 98,228 acres purchased through the program are legally accessible for the Department and the public.
- All lands sold in total previously generated \$1,019,588 annually at a 1.36% rate of return. Of these, cabin sites sold generated \$761,041 annually at a rate of return of 3.37%. All other Land Banking sales generated \$258,547 annually at a 0.49% rate of return.
- Lands acquired have generated \$964,170 annually at a 1.80% rate of return.
- Lands sold are low-producing, predominantly isolated grazing lands. The lands acquired include commercial, agricultural, grazing, and timbered lands with layered income potential.
- Acquisitions are contiguous and, in most cases, result in consolidating existing state ownership.

Land Banking by the Numbers

LAND SALES			
<p>\$75,206,996 total generated from land banking sales through the Land Banking program</p>	<p>\$10,052,501 total generated from land banking sales in 2020</p> 	<p>64,662 or 75% of the acres sold since 2003 have been inaccessible</p>	<p>5,730 total acres sold in 2020</p>
<p>533 parcels sold at auction 2006 to 2020</p> 	<p>\$11.82 average income per acre of sold parcels</p>	<p>158 total cabin & home sites sold 2014 to 2020</p>	<p>86,231 total acres sold since 2006</p>
ACQUISITIONS			
<p>98,228 total acres acquired since 2006</p> 	<p>\$964,170 generated annually from parcels acquired</p>	<p>23 Land Banking Acquisitions since 2006</p>	
<p>\$9.81 average income per acre for all acquisitions</p>	<p>\$16.74 average annual income per acre of acquired parcels from annual lease payments</p>	<p>98,228 acres of publicly accessible land acquired</p> 	
<p>2.91% average rate of return on acquired parcels with annual lease payments</p>	<p>2.21% Projected long-term average rate of return on forested acquisitions</p>	<p>\$543 average cost per acre for all acquisitions</p>	





Trust Land Sales by County 2006-2020

ACRES	COUNTY	SALES PRICE	ANNUAL INCOME
1,000	Beaverhead	\$564,000	\$1,532
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
2,912	Chouteau	\$667,246	\$4,867
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
160	Fergus	\$63,000	\$192
724	Flathead	\$19,945,000	\$339,218
18	Gallatin	\$610,000	\$17,493
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
10,446	Lewis and Clark	\$12,338,000	\$71,760
1,265	Liberty	\$316,473	\$2,220
1	Lincoln	\$12,000	\$534
479	Madison	\$886,298	\$601
301	McCone	\$156,000	\$1,867
840	Meagher	\$1,160,000	\$7,080
13	Mineral	\$30,000	\$0
1,033	Missoula	\$11,772,500	\$376,999
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
9	Prairie	\$24,000	\$699
636	Ravalli	\$636,000	\$1,611
23	Richland	\$80,225	\$1,519
6,392	Rosebud	\$1,532,643	\$8,236
15	Sanders	\$385,800	\$7,741
1,930	Stillwater	\$882,400	\$3,855
484	Sweet Grass	\$1,569,500	\$2,662
1,882	Teton	\$1,689,000	\$6,820
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
2,722	Yellowstone	\$1,111,400	\$5,984
86,231	TOTAL	\$75,206,996	\$1,019,588



Trust Land Sold through the Land Banking Program 2006-2020

SALES BY TRUST				
ACRES	GRANT	SALES PRICE	ANNUAL INCOME	AVERAGE RATES OF RETURN
80,283	Common Schools	\$54,141,229	\$415,349	0.77%
640	Morrill	\$614,400	\$1,428	0.23%
253	Montana State University	\$8,981,500	\$320,509	3.57%
2,658	Public Building	\$1,792,985	\$16,469	0.92%
124	Montana Tech	\$7,728,000	\$234,655	3.04%
688	Pine Hills	\$770,290	\$18,957	2.46%
450	Western / Eastern	\$604,592	\$9,081	1.50%
1,135	University of Montana	\$574,000	\$3,140	0.55%
86,231	TOTAL	\$75,206,996	\$1,019,588	1.36%

SALES BY LAND TYPE			
 80,328 grazing acres sold	3,213 agricultural acres sold 	2,368 forested acres sold 	 322 other acres sold includes residential; cabin/homesites

SALES IN SUMMARY			
\$872 average sale price per acre of parcels sold	\$11.82 average income per acre of parcels sold	64,662 inaccessible acres sold since 2003	1.36% average rate of return of parcels sold
75% of all sales have been isolated & inaccessible.			

Land Acquired through the Land Banking Program 2006-2020

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 86,231 acres were sold generating \$75,206,996 in sales revenue, the state spent only \$53,328,091 to acquire 98,228 acres. Additionally, the replacement acreage is all publicly accessible and produces a greater rate of return to the school trust land beneficiaries.

TRACT NAME	COUNTY	ACRES	PURCHASE PRICE	APPRAISED VALUE	2019 NET INCOME	2019 RATE OF RETURN	PURCHASE DATE
Eustance Ranch (Ulm Pishkin)	Cascade	897.2 Ag & Grazing	\$718,256	\$969,600	\$15,831	2.2%	October 2006
Capdeville Ranch	Valley	530 Ag	\$618,000	\$619,000	\$17,048	2.75%	December 2006
North Lincoln	Lewis & Clark	1,041 Grazing & Timber	\$1,131,636	\$1,480,000	\$1,561	0.13%*	December 2006
Ovando Mountain	Powell	1,439 Grazing & Timber	\$540,735	\$975,000	\$2,872	0.53%*	December 2006
Wolf Creek Ranch	Fergus	1,842.55 Ag & Grazing	\$1,290,000	\$1,290,000	\$21,809	1.69%	January 2007
Tongue River Ranch	Custer	18,544.18 Ag & Grazing	\$4,800,000	\$4,800,000	\$110,406	2.3%	April 2007
Tupper Lake	Powell	1,777.67 Grazing & Timber	\$1,271,000	\$1,271,000	\$27,129	2.13%*	July 2008
DeBruycker Farm	Teton	5,211.98 Ag & Grazing	\$4,980,000	\$4,980,000	\$131,667	2.64%	December 2008
Valentine Water Project	Fergus	304 Grazing	\$150,000	\$150,000	\$1010	0.67%	January 2009

Land Acquired through the Land Banking Program 2006-2020, cont.

TRACT NAME	COUNTY	ACRES	PURCHASE PRICE	APPRAISED VALUE	2019 NET INCOME	2019 RATE OF RETURN	PURCHASE DATE
Chamberlain Creek	Missoula	1,171.9 Grazing & Timber	\$1,336,000	\$1,336,000	\$463 for the entire property	0.03%*	July 2010
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	\$497 for the entire property	0.0%	December 2010
North Swan (Phase 2)	Lake	14,624 Timber	\$5,849,600	\$5,849,600			December 2012
Milk River Ranch	Hill	1,513.5 Ag & Grazing	\$1,069,226	\$1,069,226	\$32,826	3.07%	December 2012
1539 Eleventh Avenue, Helena	Lewis & Clark	60,000 ft ² Commercial	\$435,500	\$803,000	\$48,133	11.05%	February 2013
Hougardy Farm	Treasure	406.86 Ag & Grazing	\$1,000,000	\$1,000,000	\$16,155	1.62%	October 2014
Bullhead Ranch	Pondera	2,563.47 Ag & Grazing	\$2,500,000	\$2,550,000	\$106,606	4.26%	August 2015
Clapper Flat Farm	Yellowstone	617 Ag & Grazing	\$490,000	\$490,000	\$3,520	0.72%	June 2016
Lost Creek Farm	Stillwater	2,015.8 Ag	\$1,333,000	\$1,445,500	\$5,806	0.44%	June 2017
Birkley Road Farm	Yellowstone	1,232.13 Ag	\$979,265	\$979,265	\$26,325	2.69%	September 2017
Angela Farm	Rosebud	16,951.97 Ag & Grazing	\$11,300,000	\$11,300,000	\$391,773	3.47%**	March 2018
Stillwater Lazy Creek Phase I	Flathead	7,018.24 Timber	\$3,777,579	\$3,777,579	\$2,733 for the entire property	0.01%*	February 2018
Stillwater Lazy Creek Phase II	Flathead	3,200 Timber	\$1,722,464	\$1,722,464			October 2018
TOTAL		98,228.43 acres	\$53,328,091	\$54,893,064	\$964,170	1.80%	

* 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 actual ag & grazing income for 2019.