

Department of Natural Resources and Conservation
LAND BANKING REPORT
Environmental Quality Council – July 2008

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). A sunset of October 1, 2008 was inserted into the bill to ensure that Land Banking was a pilot program. In 2007 the Legislature extended the sunset to October, 2011.

Statute requirements:

- Land Banking will sunset in 2011
- Limits sale of land to 100,000 acres
 - 75% of the 100,000 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

Goals of the program:

- Increase public access to state trust land
- Improve the investment portfolio of the beneficiaries by diversifying land holdings
- Enhance management and stewardship activities with land consolidation

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.
- **127,475** acres have been nominated for sale since program inception. Processed and sold **24,284** acres of land; 23,719 isolated (97.7%), 565 legally accessible (2.3%).
- Agency is currently processing 20,296 acres of land for sale; 18,284 isolated (90.1%); 2,012 legally accessible (9.9%).
- **24,293** acres in 6 parcels have been purchased.
- Agency is currently processing 4 parcels for acquisition with a total of 12,004 acres; 1777 acres in Powell Co., 304 acres in Fergus Co., 5,140 acres in Teton Co., and 4,783 acres in Valley Co.

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. The 3-year weighted average rate of return on land sold is 0.8% for Common Schools and 0.6% for Pine Hills Trust.

Trust Land Sold via Land Banking 2006 - 2008					
ACRES	COUNTY	SALES PRICE	ANNUAL INCOME	GRANT	RETURN
295	Carbon	\$134,250	\$490	Common Schools	0.37%
1,600	Chouteau	\$326,080	\$1,927	Common Schools	0.59%
320	Chouteau	\$60,800	\$364	State Industrial School	0.60%
9,585	Custer	\$1,461,800	\$11,369	Common Schools	0.78%
85	Flathead	\$6,400,000	\$1,119	Common Schools	0.02%
9,600	Garfield	\$1,213,900	\$12,757	Common Schools	1.05%
479	Madison	\$886,298	\$601	Common Schools	0.07%
720	Powell	\$1,224,000	\$997	Common Schools	0.08%
1,600	Treasure	\$368,000	\$2,039	Common Schools	0.55%
24,284	TOTAL	\$12,075,128	\$31,663	Overall weighted average	.8%

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ACQUISITIONS CLOSED

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 for Common Schools. Note that while **24,284** acres were sold generating **\$12,075,128** in sales revenue, the state has acquired **24,293.93** acres while spending **\$9,098,627**. Additionally, the replacement acreage is all publicly accessible, while producing almost twice the rate of return to the beneficiary.

Tracts Acquired Through Land Banking 2006-2007							
Tract	County	Acres	Purchase Price	Appraised Value	Annual Net Income	Estimated Rate of Return	Purchase Date
Eustance Ranch (Ulm Pishkin)	Cascade	897.2 Grazing/Ag	\$718,256	\$969,600	\$15,502	2.16%	October-06
Capdeville Ranch	Valley	530 Ag	\$618,000	\$619,000	\$11,752	1.90%	December-06
North Lincoln	Lewis and Clark	1041 Graz/Timber	\$1,131,636	\$1,480,000	\$912	0.08%*	December-06
Ovando Mtn.	Powell	1,439 Graz/Timber	\$540,735	\$975,000	\$745	0.14%*	December-06
Wolf Creek Ranch	Fergus	1,842.55 Grazing/Ag	\$1,290,000	\$1,290,000	\$27,078	2.10%	January-07
Tongue River Ranch	Custer	18,544.18 Grazing/Ag	\$4,800,000	\$4,800,000	\$70,243	1.46%	April-07
TOTALS		24,293.93	\$9,098,627	\$10,133,600	\$126,232	1.41%	

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

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Eustance Ranch

Cascade County
Grazing/Ag Acres

897.2



Capdeville Ranch

Valley County
Ag Acres

530



North Lincoln

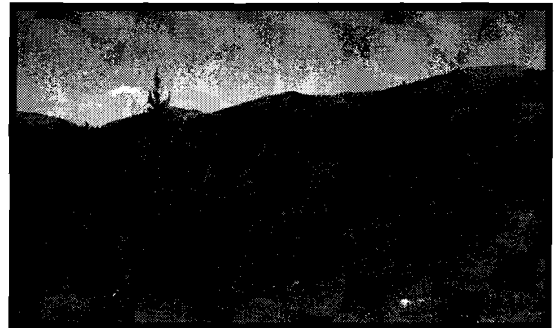
Lewis and Clark County
Graz/Timber Acres

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



