



Department of Natural Resources & Conservation

LAND BANKING REPORT

January 2021

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. This includes 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 98,272 acres purchased through the program are legally accessible for the Department and the public.
- Cabin sites sold generated \$779,019 annually at a 3.37% rate of return.
- Lands sales not including cabin sites have generated \$262,344 annually at a 0.49% rate of return.
- Total of all Lands sold have generated \$1,041,363 annually at a 1.36% rate of return.
- Lands acquired have generated \$932,257 annually at 1.75% rate of return.
- Lands sold are low-producing and predominantly isolated grazing lands, except for leased cabin/home sites which produce a higher rate of return than isolated tracts.
- 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			
\$76,380,896 total generated from land banking sales through the Land Banking program	\$11,226,401 total generated from land banking sales in 2020	65,811 or 75% of the acres sold since 2006 have been inaccessible	6,818 total acres sold in 2020
552 parcels sold and auction since 2006	\$11.93 average income per acre of sold parcels	166 total cabin & home sites sold since 2014 	87,319 total acres sold since 2006
ACQUISITIONS			
98,272 total acres acquired since 2006 	\$932,257 generated annually from parcels acquired	23 Acquisitions since 2006	
\$9.49 average income per acre for all acquisitions	\$17.47 average annual income per acre of acquired parcels from annual lease payments	98,272 acres of publicly accessible land acquired 	
2.91% average rate of return on acquired parcels with annual lease payments	2.21% Projected long-term average rate of return on forested acquisitions	\$543 average cost per acre for all acquisitions	

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
2,918	Chouteau	\$694,246	\$5,847
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
800	Fergus	\$431,000	\$2,618
726	Flathead	\$20,052,000	\$342,196
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
10,447	Lewis and Clark	\$12,366,000	\$71,836
1,425	Liberty	\$376,473	\$2,762
8	Lincoln	\$92,000	\$1,716
479	Madison	\$886,298	\$601
301	McCone	\$156,000	\$1,867
840	Meagher	\$1,160,000	\$7,080
13	Mineral	\$30,000	\$0
1,036	Missoula	\$12,080,500	\$389,761
7	Park	\$85,000	\$24
10	Phillips	\$47,500	\$755
618	Pondera	\$218,002	\$3,829
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
2,002	Teton	\$1,796,400	\$7,159
2,869	Toole	\$602,425	\$4,910
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
87,319	Total	\$76,380,896	\$1,041,363

Trust Land Sold through the Land Banking Program 2006-2020

SALES BY TRUST

ACRES	GRANT	SALES PRICE	ANNUAL INCOME	AVERAGE RATES OF RETURN
81,205	Common Schools	\$54,767,729	\$420,910	0.77%
640	Morrill	\$614,400	\$1,428	0.23%
253	Montana State University	\$8,981,500	\$320,509	3.57%
2	School for the Deaf & Blind	\$107,000	\$2,978	2.78%
2,818	Public Building	\$1,925,385	\$16,943	0.88%
124	Montana Tech	\$7,728,000	\$234,655	3.04%
691	Pine Hills	\$1,078,290	\$31,718	2.94%
450	Western / Eastern	\$604,592	\$9,081	1.50%
1,136	University of Montana	\$574,000	\$3,140	0.55%
87,319	TOTAL	\$76,380,896	\$1,041,363	1.36%

SALES BY LAND TYPE

 81,368 grazing acres sold	 3,213 agricultural acres sold	 2,368 forested acres sold	 370 other acres sold (cabin/home sites)
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SALES IN SUMMARY

\$874.73 average sale price per acre of parcels sold	\$11.93 average income per acre of parcels sold	65,810 inaccessible acres sold since 2003	1.36% average rate of return of parcels sold
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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 87,319 acres were sold generating \$76,380,896 in sales revenue, the state spent only \$53,328,091 to acquire 98,272 acres. Additionally, the replacement acreage is all publicly accessible and produces a higher rate of return to the school trust lands.

TRACT NAME	COUNTY	ACRES	PURCHASE PRICE	APPRAISED VALUE	2020 NET INCOME	2020 RATE OF RETURN	PURCHASE DATE
Eustance Ranch (Ulm Pishkin)	Cascade	898 Ag & Grazing	\$718,256	\$969,600	\$16,729.00	2.33%	Oct-06
Capdeville Ranch	Valley	530 Ag	\$618,000	\$619,000	\$12,928.00	2.09%	Dec-06
North Lincoln	Lewis & Clark	1,042 Grazing & Timber	\$1,131,636	\$1,480,000	\$1,500.00	0.14%*	Dec-06
Ovando Mountain	Powell	1,439 Grazing & Timber	\$540,735	\$975,000	\$2,673.00	0.49%*	Dec-06
Wolf Creek Ranch	Fergus	1,843 Ag & Grazing	\$1,290,000	\$1,290,000	\$27,501.00	2.13%	Jan-07
Tongue River Ranch	Custer	18,544 Ag & Grazing	\$4,800,000	\$4,800,000	\$119,623.00	2.49%	Apr-07
Tupper Lake	Powell	1,778 Grazing & Timber	\$1,271,000	\$1,271,000	\$7,276.46	0.57%*	Jul-08
DeBruycker Farm	Teton	5,212 Ag & Grazing	\$4,980,000	\$4,980,000	\$128,552.00	2.58%	Dec-08
Valentine Water Project	Fergus	304 Grazing	\$150,000	\$150,000	\$970.00	0.65%	Jan-09

Land Acquired through the Land Banking Program 2006-2020, continued

TRACT NAME	COUNTY	ACRES	PURCHASE PRICE	APPRAISED VALUE	2020 NET INCOME	2020 RATE OF RETURN	PURCHASE DATE
Chamberlain Creek	Missoula	1,172 Grazing & Timber	\$1,336,000	\$1,336,000	\$472.00	0.00%*	Jul-10
Chamberlain Creek with CE	Missoula & Powell	13,411 Timber	\$4,600,000	\$4,600,000			
North Swan (Phase 1)	Lake	1,920 Timber	\$1,435,830	\$1,435,830	\$0.00	0.00%*	Dec-10
North Swan (Phase 2)	Lake	14,624 Timber	\$5,849,600	\$5,849,600			Dec-12
Milk River Ranch	Hill	1,514 Ag & Grazing	\$1,069,226	\$1,069,226	\$4,013.00	0.38%	Dec-12
1539 Eleventh Avenue, Helena	Lewis & Clark	1	\$435,500	\$803,000	\$39,535.00	9.08%	Feb-13
Hougardy Farm	Treasure	407 Ag & Grazing	\$1,000,000	\$1,000,000	\$18,012.00	1.80%	Oct-14
Bullhead Ranch	Pondera	2,563 Ag & Grazing	\$2,500,000	\$2,550,000	\$106,190.00	4.25%	Aug-15
Clapper Flat Farm	Yellowstone	617 Ag & Grazing	\$490,000	\$490,000	\$5,813.00	1.19%	Jun-16
Lost Creek Farm	Stillwater	2,017 Ag	\$1,333,000	\$1,445,500	\$29,470.00	2.21%	Jun-17
Birkley Road Farm	Yellowstone	1,266 Ag	\$979,265	\$979,265	\$10,912.00	1.04%	Sep-17
Angela Farm	Rosebud	16,952 Ag & Grazing	\$11,300,000	\$11,300,000	\$399,898.00	3.54%	Mar-18
Stillwater Lazy Creek Phase I	Flathead	7,018 Timber	\$3,777,579	\$3,777,579	\$190.00	0.00%*	Feb-18
Stillwater Lazy Creek Phase II	Flathead	3200 Timber	\$1,722,464	\$1,722,464			Oct-18
TOTAL		98,272 acres	\$53,328,091	\$54,893,064	\$932,257	1.75%	

* 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 2020.