Department of Natural Resources & Conservation

LAND BANKING REPORT
January 2019

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 limit 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 73% 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.
- Lands sold have generated $619,929 annually, while lands acquired have generated $843,498 annually. This annual income has increased trust revenues $223,569, or approximately 36% over income generated from parcels sold.
- Lands sold are low-producing, predominantly isolated grazing lands, and 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			
$59,532,595 total generated from land banking sales through the Land Banking program	**$4,932,450** total generated from land banking sales in 2018	**58,902 or 73%** of the acres sold since 2003 have been inaccessible	**642.25** total acres sold in 2018
437 parcels sold and auction since 2006	**$7.73** average income per acre of sold parcels	**72** total cabin & home sites sold since 2015	

ACQUISTIONS		
98,228 total acres acquired since 2006	**$843,498** generated annually from parcels acquired	**23** parcels acquired since 2006
$8.61 average income per acre for all acquisitions	**$15.04** average annual income per acre of acquired parcels from annual lease payments	**98,228** acres of publicly accessible land acquired
2.62% 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

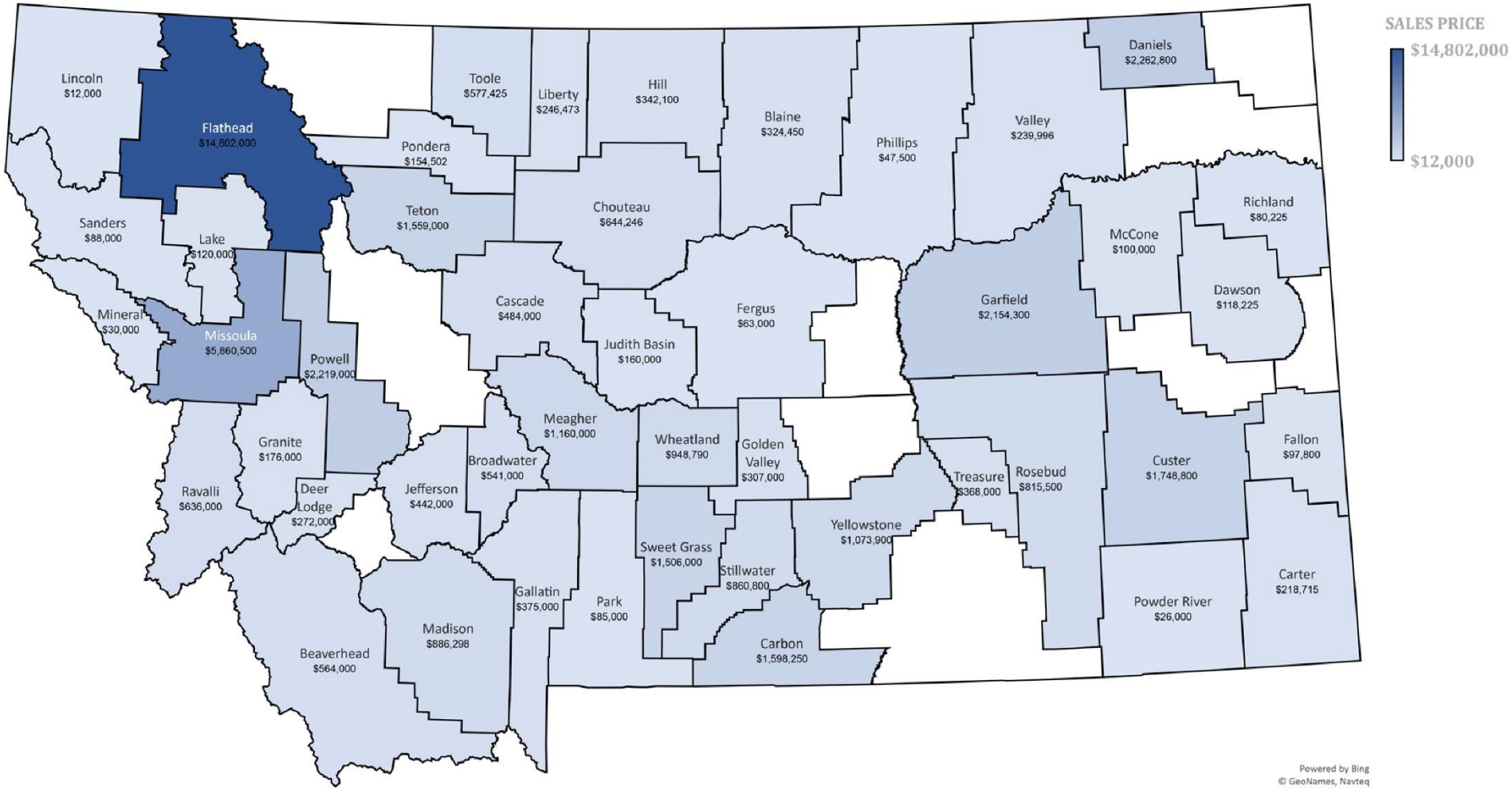
Trust Land Sold through the Land Banking Program
2006-2018

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
805	Cascade	$484,000	$2,291
2,907	Chouteau	$644,246	$4,222
10,448	Custer	$1,748,800	$12,764
6,889	Daniels	$2,262,800	$57,326
646	Dawson	$118,225	$432
320	Deer Lodge	$272,000	$1,843
325	Fallon	$97,800	$669
160	Fergus	$63,000	$192
695	Flathead	$14,802,000	$199,971
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
160	Judith Basin	$160,000	$2720
2	Lake	$120,000	$5,700
10,437	Lewis & Clark	$12,136,000	$59,207
1,065	Liberty	$246,473	$1,533
1	Lincoln	$12,000	$534
479	Madison	$886,298	$601
280	McCone	$100,000	$1167
840	Meagher	$1,160,000	$7,080
13	Mineral	$30,000	$0
973	Missoula	$5,860,500	$164,833
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
636	Ravalli	$636,000	$1,611
23	Richland	$80,225	$1,519
5,112	Rosebud	$815,500	$5,394
4	Sanders	$88,000	$1,351
1,920	Stillwater	$860,800	$3,256
480	Sweet Grass	$1,506,000	$2,340
1682	Teton	$1,559,000	$5,333
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
2,720	Yellowstone	$1,073,900	$4,278
80,165	**TOTAL**	**$59,532,595**	**$619,929**

Trust Land Sold through the Land Banking Program
2006-2018

SALES BY COUNTY



Trust Land Sold through the Land Banking Program
2006-2018

SALES BY TRUST

ACRES	GRANT	SALES PRICE	ANNUAL INCOME	AVERAGE RATES OF RETURN
74,349	Common Schools	$48,325,828	$328,772	0.68%
640	Morrill	$614,400	$1,428	0.23%
197	Montana State University	$3,469,500	$124,684	3.59%
2,610	Public Building	$1,214,985	$6,244	0.51%
102	Montana Tech	$4,402,000	$139,958	3.18%
682	Pine Hills	$562,290	$9,643	1.71%
448	Western / Eastern	$369,592	$6,059	1.64%
1,135	University of Montana	$574,000	$3,140	0.55%
80,165	**TOTAL**	**$59,532,595**	**$619,929**	**1.04%**

SALES BY LAND TYPE

74,344
grazing acres sold

3,213 agricultural acres sold

2,943
forested acres sold

SALES IN SUMMARY

$743 average sale price per acre of parcels sold	**$7.73** average income per acre of parcels sold	**58,902** inaccessible acres sold since 2003	**1.04%** average rate of return of parcels sold

73% of all sales have been isolated & inaccessible.

Land Acquired through the Land Banking Program
2006-2018

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 80,165 acres were sold generating $59,532,595 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 more than twice the rate of return to the school trust land beneficiaries.

TRACT NAME	COUNTY	ACRES	PURCHASE PRICE	APPRAISED VALUE	2018 NET INCOME	2018 RATE OF RETURN	PURCHASE DATE
Eustance Ranch (Ulm Pishkin)	Cascade	897.2 Ag & Grazing	$718,256	$969,600	$16,535	2.3%	October 2006
Capdeville Ranch	Valley	530 Ag	$618,000	$619,000	$17,751	2.87%	December 2006
North Lincoln	Lewis & Clark	1,041 Grazing & Timber	$1,131,636	$1,480,000	$1,302	0.12%*	December 2006
Ovando Mountain	Powell	1,439 Grazing & Timber	$540,735	$975,000	$2.303	0.43%*	December 2006
Wolf Creek Ranch	Fergus	1,842.55 Ag & Grazing	$1,290,000	$1,290,000	$23,640	1.8%	January 2007
Tongue River Ranch	Custer	18,544.18 Ag & Grazing	$4,800,000	$4,800,000	$135,510	2.82%	April 2007
Tupper Lake	Powell	1,777.67 Grazing & Timber	$1,271,000	$1,271,000	$540	0.04%*	July 2008
DeBruycker Farm	Teton	5,211.98 Ag & Grazing	$4,980,000	$4,980,000	$117,000	2.35%	December 2008
Valentine Water Project	Fergus	304 Grazing	$150,000	$150,000	$836	0.56%	January 2009

Land Acquired through the Land Banking Program
2006-2018, cont.

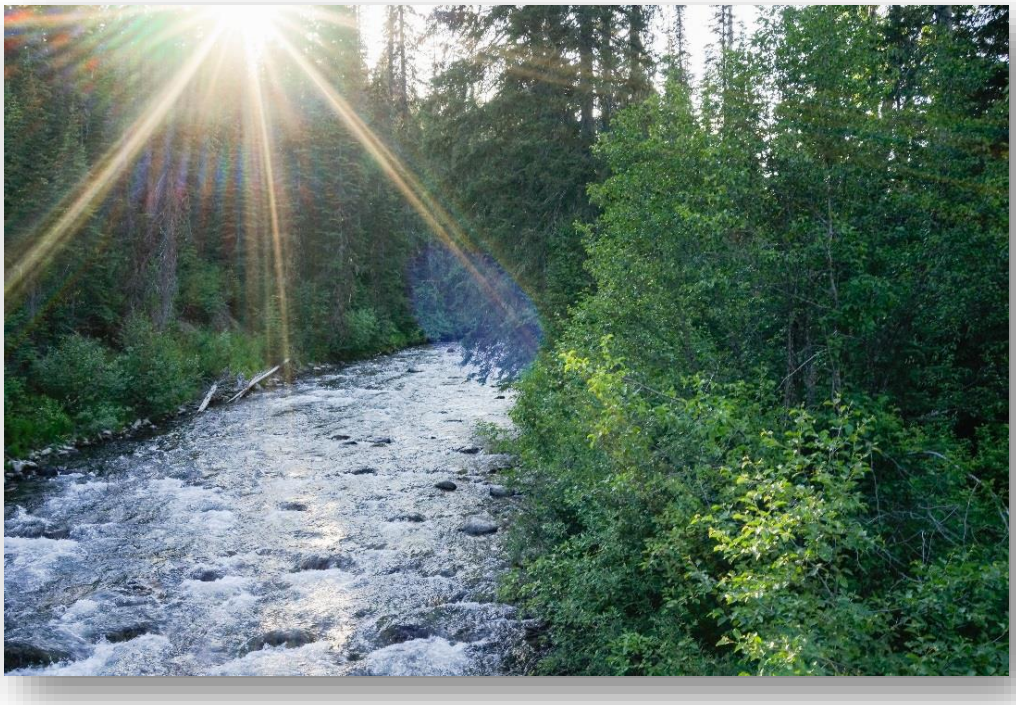
TRACT NAME	COUNTY	ACRES	PURCHASE PRICE	APPRAISED VALUE	2018 NET INCOME	2018 RATE OF RETURN	PURCHASE DATE
Chamberlain Creek	Missoula	1,171.9 Grazing & Timber	$1,336,000	$1,336,000	$397 for the entire property	0.01%*	July 2010
Chamberlain Creek with CE	Missoula & Powell	13,410.6 Timber	$4,600,000	$4,600,000			
North Swan (Phase 1)	Lake	1,914 Timber	$1,435,830	$1,435,830	$0 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	$23,390	2.19%	December 2012
1539 Eleventh Avenue, Helena	Lewis & Clark	60,000 ft^2 Commercial	$435,500	$803,000	$45,015	10.34%	February 2013
Hougardy Farm	Treasure	406.86 Ag & Grazing	$1,000,000	$1,000,000	$16,747	1.67%	October 2014
Bullhead Ranch	Pondera	2,563.47 Ag & Grazing	$2,500,000	$2,550,000	$104,339	4.17%	August 2015
Clapper Flat Farm	Yellowstone	617 Ag & Grazing	$490,000	$490,000	$9,718	1.98%	June 2016
Lost Creek Farm	Stillwater	2,015.8 Ag	$1,333,000	$1,445,500	$13,444	1.01%	June 2017
Birkley Road Farm	Yellowstone	1,232.13 Ag	$979,265	$979,265	$3,717	0.38%	September 2017
Angela Farm	Rosebud	16,951.97 Ag & Grazing	$11,300,000	$11,300,000	$308,684	2.73%**	March 2018
Stillwater Lazy Creek Phase I	Flathead	7,018.24 Timber	$3,777,579	$3,777,579	$2360 for the entire property	0.01%*	February 2018
Stillwater Lazy Creek Phase II	Flathead	3200 Timber	$1,722,464	$1,722,464			October 2018
	TOTAL	**98,228.43 acres**	**$53,328,091**	**$54,843,064**	**$843,498**	**1.58%**	

** 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 2018. 2019 will have 3004 more acreage in production (2018 had a contract in place which allowed previous owner to harvest existing winter wheat crop).*

Acquisition Profile: ANGELA FARM

In February 2018, the Land Board gave final approval for DRNC to acquire the 17,000-acre Angela Farm Rosebud County north of Miles City for $11,300,000. The purchase was made possible through DNRC's Land Banking program, which enables the department to "bank" funds from the sale of small trust land parcels generally without legal public access and low rates of return. Purchased with funds accrued from 65 sales, the Angela Farm acquisition provided new farming opportunities to a dozen younger families in the area. In the first year of state ownership, leases on Angela Farm generated more than $400,000 for the Common School trust while providing excellent public access for recreation and quality hunting. DNRC is committed to improving public access and increasing revenue streams from Montana's 5 million acres of trust lands, which generated a combined $41.9 million in distributable revenues for K-12 schools in 2018.

Acquisition Profile: STILLWATER-LAZY CREEK

DNRC completed a 3-phase Stillwater-Lazy Creek land acquisition and donation in the fall of 2018. Several partners including Trust for Public Lands, Weyerhaeuser, Montana FWP, USFS, USFWS, DNRC, and BPA all collaborated to fund, purchase, and block up the Stillwater State Forest. This block includes 13,398 acres of prime forest that provides year-round public access and recreation, holds exceptional and diverse wildlife habitat, and will allow future sustainable timber management opportunities for the state's forest management program. This project was made possible through DNRC's Land Banking Program.