

MINUTES
REGULAR MEETING OF THE BOARD OF LAND COMMISSIONERS
Monday, August 17, 2015, at 9:00
State Capitol, Room 303
Helena, MT

Please note: *The Land Board has adopted the audio recording of its meetings as the official record, as allowed by [2-3-212, MCA](#). These minutes provide an abbreviated summary of the Land Board discussion, public testimony, action taken, and other activities. The time designations listed are approximate and may be used to locate the referenced discussion on the audio recording of this meeting. Access to an electronic copy of these minutes and the audio recording is provided from the Land Board webpage at <http://dnrc.mt.gov/LandBoard>. The written minutes summary, along with the audio recordings, are listed by meeting date on the Land Board Archive webpage.*

Members Present

Governor Steve Bullock
Attorney General Tim Fox
Secretary of State Linda McCulloch
Superintendent of Public Instruction Denise Juneau
Commissioner of Securities and Insurance Monica Lindeen (via telephone)

Members Absent

None

Testifying Staff

John Tubbs, DNRC Director
Shawn Thomas, DNRC Trust Land Management Division (TLMD) Administrator
John Grimm, DNRC TLMD Real Estate Management Bureau Chief

Attachments

Related Materials, Attachment 1 – Sign-in sheet
Related Materials, Attachment 2 - Land Banking Report July 2015

Call to Order

00:00:12 Governor Bullock called the meeting to order.
00:00:27 Ms. McCulloch moved to approve the July 20, 2015, minutes. The motion was seconded by Ms. Juneau, and carried unanimously.

Business Considered

815-1 Timber Sales

A. Beavertail Beetles

B. Cilly Cliff

C. Kirby Limited Access

D. Pistol Creek Limited Access

E. Tarkio Pines

F. Trego Portal

00:00:42 Mr. Tubbs gave an overview of items 815-1A through 815-1F.
00:05:18 Ms. McCulloch moved to approve item 815-1A through 815-1F. The motion was seconded by Ms. Lindeen.

Board Discussion/Comments

00:05:33 Ms. McCulloch

00:05:51 Mr. Thomas
00:06:47 Ms. Juneau
00:07:11 Mr. Thomas
00:07:41 Ms. Juneau
00:07:58 Mr. Thomas
00:08:29 Ms. Juneau
00:08:43 Mr. Thomas
00:09:05 Ms. Juneau
00:09:14 Mr. Thomas
00:09:45 Ms. Juneau
00:09:48 Mr. Fox
00:10:02 Mr. Thomas
00:10:09 Governor Bullock

00:10:15 The motion to approve items 815-1A through 815-1FG carried unanimously.

815-2 Land Banking Parcels: Preliminary Approval for Sale

00:10:23 Mr. Tubbs gave an overview of item 815-2.

Public Comment

00:12:03 Randall Knowles

00:16:57 Ms. Lindeen moved to approve item 815-2. The motion was seconded by Mr. Fox.

Board Discussion/Comments

00:17:10 Ms. Lindeen
00:17:22 Mr. Thomas
00:17:47 Mr. Tubbs
00:17:57 Mr. Thomas
00:19:02 Governor Bullock
00:19:11 Mr. Thomas
00:20:43 Governor Bullock
00:20:48 Ms. McCulloch
00:21:00 Mr. Thomas
00:21:53 Governor Bullock

00:21:59 The motion to approve item 815-2 carried unanimously.

815-3 Proposed Settlement Agreement: MONTRUST v. State of Montana et al., BDV-12-39, 1st Judicial District

Item 815-3 was withdrawn from the agenda on 8/14/15.

815-4 Easements

00:22:18 Mr. Tubbs gave an overview of item 815-4.

00:23:07 A motion was made by Mr. Fox to approve item 815-4. The motion was seconded by Ms. Juneau and carried unanimously.

Information Items

815-5 Real Estate Management Plan: Five-Year Report

00:23:23 Mr. Tubbs gave an overview of items 815-5 and 815-6.
00:23:47 Mr. Grimm
00:23:44 Mr. Fox

00:24:06 Mr. Grimm
00:26:28 Governor Bullock
00:26:59 Mr. Grimm

815-6 Real Estate Management Bureau: 2015 Project Management List – Annual Update

00:27:21 Mr. Grimm
00:30:00 Governor Bullock
00:30:06 Ms. McCulloch
00:30:13 Mr. Grimm
00:31:04 Mr. Tubbs
00:31:19 Ms. McCulloch
00:31:27 Mr. Bullock

General Public Comment

00:31:39 Mr. Knowles
00:36:37 Governor Bullock
00:36:40 Ms. McCulloch
00:37:01 Mr. Knowles

Adjournment

00:37:51 Adjournment

PRESIDENT

ATTEST

/s/ Steve Bullock

Steve Bullock, Governor

/s/ John E. Tubbs

John E. Tubbs, DNRC Director

Department of Natural Resources and Conservation
LAND BANKING REPORT
July 2015

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
 - 183,794 acres have been nominated for sale
 - 68,060 acres have been sold, 84% were isolated
 - 64,629 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 \$201,571 annually
 - lands acquired generated \$330,373 annually
 - lands sold are predominately isolated grazing lands (84%) and the lands acquired include 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.
- 704 parcels containing 183,794 acres have been nominated for sale since program inception. Processed and sold 68,060 acres of land consisting of 318 parcels. 57,065 acres were isolated (84%), while 10,996 acres were legally accessible (16%).
- 64,629 legally accessible acres in 15 acquisitions have been purchased.
- Income generated annually from parcels purchased (\$330,373), has increased trust revenues \$128,802 or 64% over income generated from parcels sold.

LAND BANKING 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.

Trust Land Sold via Land Banking 2006 – June 30, 2015 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
667	Flathead	\$9,754,701	\$20,577
17	Gallatin	\$371,000	\$14,471
13,783	Garfield	\$2,154,300	\$17,293
648	Golden Valley	\$307,000	\$2,406
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
922	Missoula	\$1,401,380	\$9,725
10	Phillips	\$47,500	\$401
509	Pondera	\$154,502	\$959
80	Powder River	\$26,000	\$261
1,517	Powell	\$2,219,000	\$4,285
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
12	Valley	\$12,000	\$8
2,266	Wheatland	\$948,790	\$3,738
2,080	Yellowstone	\$783,900	\$2,594
68,060	TOTAL	\$36,561,730	\$201,571

Sales by Trust

ACRES	GRANT	SALES PRICE	ANNUAL INCOME	AVERAGE RATE of RETURN
62,592	Common Schools	\$32,988,574	\$165,595	.50%
640	Morrill	\$614,400	\$1,428	.23%
161	Montana State University	\$350,000	\$2,654	.76%
2,488	Public Building	\$994,985	\$5,468	.55%
82	Montana Tech	\$527,201	\$13,581	2.47%
680	Pine Hills	\$284,670	\$4,576	1.53%
289	Western / Eastern	\$312,900	\$5,161	1.72%
1,128	University of Montana	\$489,000	\$3,116	.64%
68,060	TOTALS	\$36,561,730	\$201,571	.55%

Sales by Land Type

LAND TYPE	ACRES
Agriculture	2,933
Grazing	63,301
Forest	1,733
Other	94
TOTAL	68,060

Average Sale Price per acre for Sold Parcels = \$537

Average Income per acre for Sold Parcels = \$2.96

Average Cost per acre for all Acquisitions = \$483

Average Income per acre for all Acquisitions = \$5.11

Average Income per acre on Acquisitions with income generated from
annual lease payments = \$11.29

Average Income Rate of Return on Acquisitions with income generated from
annual lease payments = 2.35%

Sale Funds Used to Purchase Easements Associated with Cabin Site Sales

Grant	Easement Value
Montana Tech	\$5,299
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.

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 68,060 acres were sold generating \$36,561,730 in sales revenue, the state has acquired 64,629 acres while spending \$31,225,783. 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 – December 31, 2014							
Tract Name	County	Acres	Purchase Price	Appraised Value	2014 Net Income	2014 Income Rate of Return	Purchase Date
Eustance Ranch (Ulm Pishkin)	Cascade	897.2 Grazing/Ag	\$718,258	\$989,600	\$18,380	2.56%	October-06
Capdeville Ranch	Valley	530 Ag	\$618,000	\$619,000	\$8,765	1.42%	December-06
North Lincoln	Lewis and Clark	1041 Graz/Timber	\$1,131,636	\$1,480,000	\$1,495	0.13%*	December-06
Ovando Mtn.	Powell	1,439 Graz/Timber	\$540,735	\$975,000	\$1,422	0.26%*	December-06
Wolf Creek Ranch	Fergus	1,842.55 Grazing/Ag	\$1,290,000	\$1,290,000	\$26,447	2.05%	January-07
Tongue River Ranch	Custer	18,544.18 Grazing/Ag	\$4,800,000	\$4,800,000	\$74,199	1.55%	April-07
Tupper Lake	Powell	1,777.67 Timber/Grazing	\$1,271,000	\$1,271,000	\$279	0.02%*	July-08
DeBruycker Farm	Teton	5,211.98 Ag/Grazing	\$4,980,000	\$4,980,000	\$113,864	2.29%	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	\$13,166 For the entire property	0.99%	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	\$599 For the entire property	0.01%**	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	\$25,449	2.38%	December-12
1539 11 th Ave Helena	Lewis & Clark	60,000 sq/ft Commercial	\$435,500	\$803,000	\$26,966	6.19%	February-13
Hougardy Farm	Treasure	406.86 Ag/Grazing	\$1,000,000	\$1,000,000	\$17,963	1.8%***	October-14
TOTALS		64,629	\$31,225,783	\$32,628,256	\$330,373	1.09%	

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

** No timber harvests have occurred to generate income. The projected range of Rate of Return for timberland over a 60 year period is 0.98 to 2.13%.

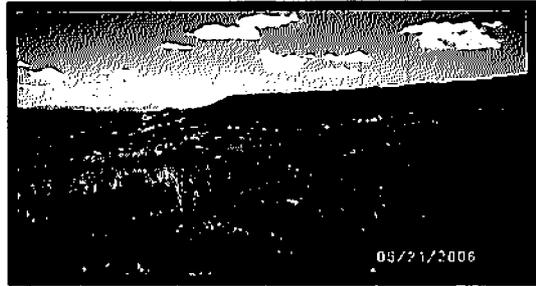
*** Property was purchased in October 2014. Net Income based on income projections calculated for Land Banking Acquisition agenda item presented to the Land Board.

Department of Natural Resources and Conservation – July 2015

Eustance Ranch

Cascade County
Grazing/Ag Acres

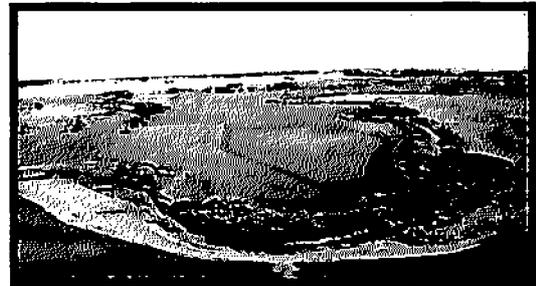
897.2



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



Tupper Lake

Powell County

Graz/Timber Acres 1,777.67



DeBruycker Farm

Teton County

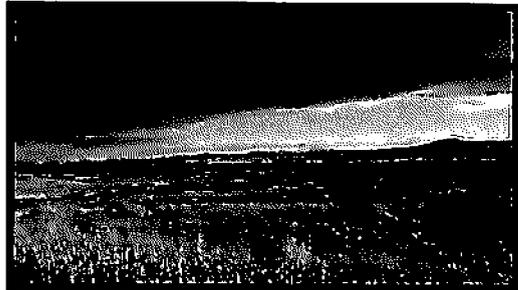
Grazing/Ag Acres 5,211.98



Valentine Water Project

Fergus County

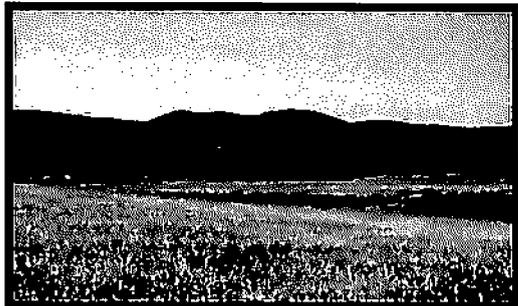
Grazing Acres 304



Chamberlain Creek

Missoula & Powell Counties

Graz/Timber Acres 14,582



North Swan (Phase 1 & 2)

Lake County

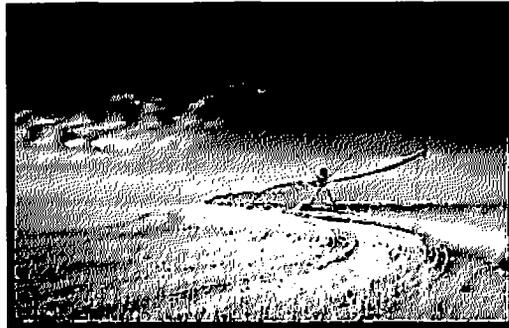
Timber Acres 16,538



Milk River Ranch

Hill County

Grazing/Ag Acres 1,514



1539 11TH Avenue

Lewis & Clark County

Commercial Lot 60,000 sq/ft



Hougardy Farm

Treasure County

Grazing/Ag Acres 406.86

