

# Farmland Protection Alternatives & Easements

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# Current situation

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- Farmland is currently being lost at an alarming rate
  - Urban development at the fringes → million+ acres each year
  - Large-lot (1 acre+) housing development → real threat
- Ways to keep land from being developed
  - Voluntarily choosing to keep undeveloped → unlikely
  - Donation → parks, WMA, etc.
  - Legislative → zoning, eminent domain, etc.
  - Purchase or lease development rights A.K.A. conservation easement → preferred



# Real Property

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All interests, benefits, and rights inherent in the ownership of physical real estate; the bundle of rights with which the ownership of the real estate is endowed.

Source: The Dictionary of Real Estate Appraisal-Third Edition. Appraisal Institute



Sometimes it's hard to say what we mean

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# Right

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An enforceable, legal claim to title of or interest in real property

Source: The Dictionary of Real Estate Appraisal-Third Edition. Appraisal Institute



# Examples of Rights

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- Mineral
- Water
- Hunting
- Development
- Timber
- Farming
- Etc,



# Development Right

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The right to build on or beneath a property, subject to local zoning, building codes, etc.

Source: The Dictionary of Real Estate Appraisal-Third Edition. Appraisal Institute



# Easement

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An interest in real property that conveys use, but not ownership, of a portion of an owner's property.  
Governments dedicate conservation, open space, and preservation easements.

Source: The Dictionary of Real Estate Appraisal-Third Edition. Appraisal Institute



# Bottom Line

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- Rights can be rented or sold  
→ Easements
- Types of Easements
  - Short-term – less than 30 years
  - Long-term – more than 30 years
  - Permanent -forever



# Conservation Easements



# Conservation Easement - Example

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I.M. Coasting has a 100 acre farm that if sold for development would be worth \$1 million but is worth \$250k when valued as an agricultural property. He agrees to sell the development rights to an organization for \$750K.

As part of the arrangement he agrees to keep the property in agricultural production or a conserving use. He is allowed to construct one farm building to store equipment or hay. However, the building cannot be used for residential or business purposes other than those typically associated with an operating farm shop.



# Reality

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- Where does the money come from?
- Larger more valuable tracts can get VERY expensive very quickly.
- Who hold the easement?



# Government Conservation Easement Programs Available in Georgia

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- Farm and Ranch Lands Protection Program
- Georgia Conservation Land Program
- Wetlands Reserve Program
- Forest Legacy Program



# Farm and Ranch Lands Protection Program



- ❑ Objective – Help farmers and ranchers keep their land in agriculture
- ❑ How – FRPP provides matching funds to governmental or non-governmental organizations that purchase permanent conservation easements from landowners



# FRRP in Georgia

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- ❑ Provides 50% cost-share to state, local, or tribal governments or NGOs.
- ❑ 50%+ of soils must be Prime or of "Statewide Importance".
- ❑ Predominance of land must be in farmland or pastureland, i.e. not forested.
- ❑ \$778,200 allocated for 2006-2007
- ❑ Sign-up to be announced soon



# FRP Example

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I.M. Coasting has a 100 acre farm in that if sold for development would be worth \$1 million but is worth \$250k when valued as an agricultural property. He agrees to sell the development rights to his county for \$750K.

If Mr. Coasting's county government can pay \$375,00 for one-half of the easement, FRP can provide the other half for a total of \$750,000.



# FRRP in Georgia – Steps to take

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1. Start working with the state or local government, or NGO in developing a proposal.
2. The submitted proposal is reviewed by the state technical committee.
3. Proposals are prioritized and funded as money is available.



# FRRP in Georgia – Scoring

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1. Percent of prime farmland or soils of statewide significance
2. Percent of crop or pasture land
3. Percent of farm offered
4. Designation as state or national historic site
5. County zoning for agricultural production
6. Easement cost
7. Viability of agriculture in the area
8. Existence of a farm succession plan



# Georgia Land Conservation Act

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- ❑ FRP requires a 50% match
- ❑ Many counties or local governments do not have the resources for the required matching funds



# Georgia Land Conservation Act-Funding

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The GLCP provides local governments and the state with loans from the Georgia Land Conservation Revolving Loan Fund and grants from the Georgia Land Conservation Trust Fund.

These funds may be awarded to purchase conservation easements or fee simple interests in lands that have been approved by the Georgia Land Conservation Council.

The GLCP strives for a 3:1 funding ratio.



# Georgia Land Conservation Act-Funding

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- ❑ Makes use of a combination of grants and low interest loans
- ❑ Trust fund and revolving loan fund of \$100 million in state, federal, and local funding
  - \$55 million in loan funds
  - \$20 million redirected bond money
  - \$25 million in private contributions
- ❑ FY 2007
  - \$ 5 million (proposed) in grants for local gov't
  - Tax credit toward donation (up to 25% FMV) maximum of \$250K individual and \$500k corporation.



# GCLP Example

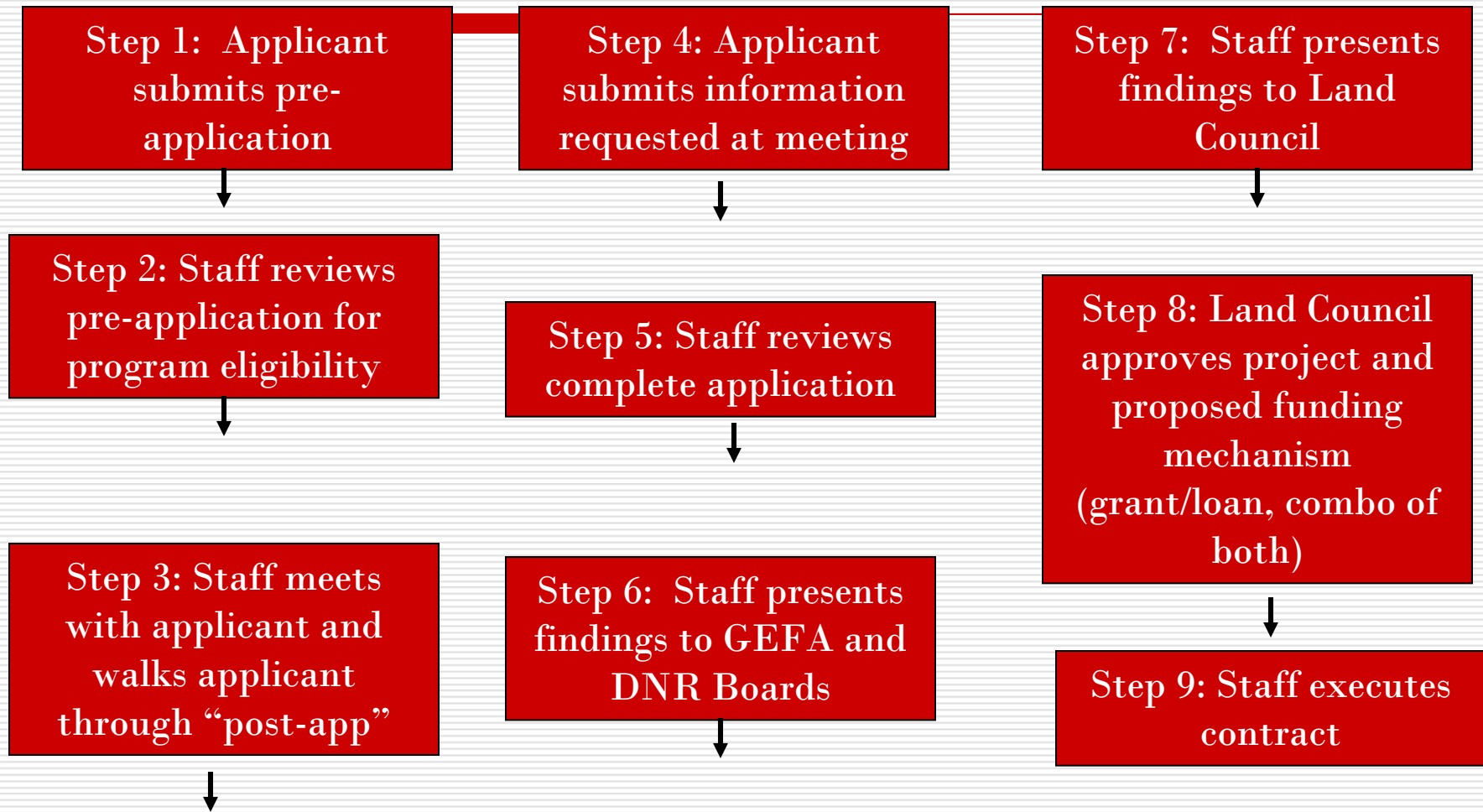
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I.M. Coasting has a 100 acre farm in that if sold for development would be worth \$1 million but is worth \$250k when valued as an agricultural property. He agrees to sell the development rights to his county for \$750K.

Mr. Coasting's county government pays \$137,500, Mr. Coasting makes a \$137,500 donation (25%) for one-half of the easement, FRP then provides the other half for a total of \$750,000.



# Overview of Application Process



# Comparison of Alternatives-I.M. Coasting Example

Entity	Free-Market	FRP	GLCP
Municipality or NGO	\$750,000	\$375,000	\$137,500*
USDA		\$375,000	\$375,000
Individual Donation			\$137,500



# Other Items to Consider

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- Some counties/local governments are using SPLOST funds or other monies to generate their portion of the cost-share



# Proposed Georgia Land Conservation Tax Credit

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- ❑ Available to individuals or corporations that donate land or a conservation easement to the state, a county, a municipality or a charitable non-profit organization.
- ❑ Taxpayers will be able to claim a credit against their state income tax liability of 25 percent of the fair market value of the donated property, up to a maximum credit of \$250,000 per individual and \$500,000 per corporation.
- ❑ The amount of the credit used in any one year may not exceed the amount of state income tax otherwise due. Any unused portion of the credit may be carried forward for five succeeding years.



# Forest Legacy Program



- ❑ Provides cost share assistance for the purchase of conservation easements on environmentally sensitive forest lands threatened by conversion to development
- ❑ Joint program between USFS & GFC
- ❑ Requires 25% match on non-federal dollars
- ❑ Projects selected on a nationally competitive basis



# Wetlands Reserve Program (WRP)



- ❑ The WRP is a voluntary program through NRCS that addresses mostly wildlife and water quality issues.
- ❑ Producers can enroll tracts for periods ranging from 10 years to perpetuity to promote wetlands restoration.



# Wetlands Reserve Program (WRP)



## □ Alternatives

- 10 years – 75% matching funds on habitat restoration
- 30 year easement – 75% of appraised value (\$1,500/ac max)
- Permanent easement – 100% of appraised value (\$2,000/ac max)



# Wetlands Reserve Program (WRP)

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## □ WRP in GA

- Continual signup
- Approximately \$1 million per year
- <http://www.nrcs.usda.gov/programs/wrp/>



# Sometimes we have to closely examine the deal

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# Landowners should consider

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- What impact will this have on current operations
- Impact on lienholders
- Tax implications
- Impact on future generations



# Summary

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- ❑ Conservation easements are ONE tool for protecting farmland and greenspace.
- ❑ There are several programs in Georgia that can be helpful in purchasing conservation easements.
- ❑ Landowners that have wetlands they would like to restore or protect should the WRP.
- ❑ In every situation, landowners should carefully consider the impacts of their decisions on current and future generations

