

Kent County's Farmland Protection Efforts: Purchase of Development Rights Program

What is a Purchase of Development Rights (PDR) Program?

A Purchase of Development Rights Program is an economic and conservation tool to protect valuable farmland that is economically important to Michigan's second largest industry, agriculture. A PDR Program is a voluntary program that compensates owners of agricultural property for their willingness to accept a permanent deed restriction on their land that limits future development of the land for non agricultural purposes. Landowners are compensated for the fair market value of their land, based on the difference between what it could be sold for on the open market with no restrictions for developmental purposes and what it can be sold for agricultural purposes. After an agreement is reached with the landowner, an agricultural conservation easement is executed, protecting the agricultural use of the land for future generations. Once the easement is in place, the landowner still owns the land, retains all private property rights, can sell the land or pass it on to heirs, and has been fairly compensated for not exercising the developmental rights. The goal is to create blocks of protected farmland thereby helping to create a long-term business environment for agriculture.

Why is preserving farmland important to Kent County?

The purpose of the farmland preservation program is to enhance the quality of life and viability of our rural and urban communities through the voluntary protection of valuable farmland in Kent County. The program targets the following benefits:

- Economic Benefits of Farmland Protection
 - Agriculture provides economic diversity to the local economy
 - Creates a long term business environment for the future growth and changing market opportunities of the local agriculture industry
 - Ensures a safe, adequate local food supply
- Environmental Benefits of Farmland Protection
 - Watershed Program
 - Protects wildlife habitat
 - Preserves integral part of natural resource infrastructure
- Social Benefits of Farmland Protection
 - Helps maintain a quality of life for all citizens
 - Protects rural character, beautiful country side and scenic vistas
 - Promotes a sustainable and viable urban-rural community relationship

How important is agriculture to Kent County?

Kent County is the one of the most agriculturally productive county in the state with a market value of over \$231 million annually. It is an important sector of the economy and provides many jobs. The farm gate value is multiplied seven-fold when one considers the impact on agribusinesses, processors, retailers and the impact of those dollars circulating in the local economy. Without the farmland base, agriculture cannot thrive or grow.

Why is a farmland protection program important to agriculture?

Once farmland is converted to development, it cannot be returned to farming. In today's marketplace, large blocks of farmland are needed to create a long term business environment for farm operations. Essential infrastructure such as farm equipment suppliers, processors, and other agribusinesses will leave if they do not have a sustainable customer base. In addition, the investment in farming operations requires a long term business environment to generate a return over the next 10-15 years. The uncertainty of land use patterns creates an "impermanence syndrome," whereby farmers are not willing to make additional investments because of the likelihood that they will be surrounded by non-farm neighbors who do not understand normal farming practices and the associated noise, dust and odors. Farmland

protection is all about creating a long term business environment for agriculture, similar to what communities do for other commercial industrial businesses.

Why is PDR in the best interest of the farmer?

First, it is important to remember that the program is completely voluntary. Not every farmer may wish to participate, but the track record across the country indicates that there are more than 7 farmers on a waiting list for every farm that is preserved. The following aspects make this program attractive to farmers:

- Participation is completely voluntary and landowners receive fair market value for the development rights.
- All other private property rights remain intact.
- The landowner can access a portion of the land equity while still maintaining ownership and agricultural use of the land without having to sell it for development or non-farm uses.
- Cash from the sale of the development rights can be used for reducing debt, lowering operation costs, improving or expanding farm operations, investing in value-added agriculture initiatives, retirement, or be passed on to heirs with proper estate planning.
- Proceeds from easement sales are often recycled back into the local economy, supporting agribusiness and creating additional economic development.
- Property taxes and inheritance taxes are based only on the residual agricultural value of the land rather than the full developmental value thereby reducing the tax burden on farmers and enhancing the annual bottom line and overall profitability.
- Farmland is now more affordable for younger farmers; the program eases the transfer of property to future generations and other farmers who are interested in farming. Expanding farming operations is often not an option when competing with developmental values.
- The landowner can still borrow against the reduced equity in their land. Other states' track records show remaining land retains excellent (and increasing) resale value.

What is a Purchase of Development Rights Program?

A purchase of development rights (PDR) program is a means of compensating farmers for their willingness to accept a deed restriction on their land that limits future development of the land for non-agricultural purposes. Landowners are compensated for the fair market value of their land, based on the difference between what it can be sold for on the open market with no restrictions and what it can be sold for once an easement is placed on the land. State certified appraisers determine these values and the agreement is negotiated on an individual basis with the farmer in a willing seller, willing buyer atmosphere.

- Permanent protection of farmland – community benefits from economic activity generated by agriculture, stable land use patterns, fewer infrastructure needs, lower cost of community services and from enhanced rural character.
- Participation is completely voluntary and landowners receive fair market value for development rights. All private property rights remain intact.
- Cash from sale of development rights can be used for reducing debt, lowering operating cost, improving or expanding farm operations, college educations, retirement, etc. Proceeds from easement sales are often recycled back into local economy.
- Landowner can access portion of land equity while still maintaining ownership and agricultural use of land and without having to sell it for development or non-farm uses.
- Property taxes and inheritance taxes based only on residual agricultural value of the land rather than the full developmental value.
- Farmland is now affordable for younger farmer and eases transfer of property to future generations.
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Kent County Purchase of Development Rights Program

Potential Questions and Answers

Q. ***If I sell my development rights to the county in exchange for a permanent agricultural conservation easement, do I still own the land?***

A. Yes, you are simply ensuring that your farmland will be preserved for future agricultural use and generations. You still own the farm and may continue to enjoy its use.

Q. ***What is an agricultural Conservation Easement?***

A. An easement is a right. A “conservation easement” is a recorded legal document that limits the type and amount of development that may occur on a property. You may own a particular farm property “fee simple” meaning that you have all rights to occupy, use, and enjoy the land. One right you have is the right to develop that property for commercial, residential, or other uses as prescribed in your township’s zoning ordinance. When we say that we would like to purchase an agricultural conservation easement on your property, we mean we would like to purchase only the development rights associated with farm parcels so that they are preserved as farmland for the future.

Q. ***Why should I sell my development rights to the county?***

A. Landowners have chosen to participate in the program for many reasons. Some farmers do not plan to develop their property, and appreciate the ability to access some of the land’s equity while continuing to farm. Proceeds from easement sales have been used, for example, for the payments of debts, or to finance needed capital investments. If you intend to pass the farm on to heirs, selling your development rights may offer special tax advantages. Only you can determine if the benefits of the program will work for you and your family.

Q. ***Is there a market for deed restricted farmland?***

A. Yes. Due to its relatively low cost, there is a high demand for deed-restricted farmland among established farmers looking to increase their landholdings and new farmers who want to purchase affordable farmland. Some participants in the program have sold their development rights as a first step to selling the farm. This ensures the land is not developed and will remain as farmland.

Q. ***How do you determine the value of my development rights?***

A. The easement value of your farm is affected by a number of variables including location, zoning, road frontage, soil types, and development pressure. To determine the easement value, a state certified appraiser will be hired to appraise the property. The appraiser values the fee simple or “before easement” value of your land and its restricted or “after easement” value. The difference between the two values is the appraised value of your “development rights,” or what the county will pay you for your agricultural easement. For example:

Before Easement = \$3000.00 per acre, value of land unrestricted

After Easement = \$1200.00 per acre, value of land restricted

Payment = \$1800 per acre, value of development rights

(The price the county would pay to preserve the land)

Q. ***If I sell my development rights to the county will the public have the right to come on my property?***

A. No. The public is not granted any right to use your land. County elected officials remain strong proponents for the strengthening of right-to-farm laws and ordinances to protect farm properties that are preserved under the program. This will help to further strengthen your protection from public violations of your rights as a landowner.

Q. ***When would the county buy my development rights?***

A. The county reviews all of the applications submitted by the application deadline. Following preliminary approval by the Agricultural Preserve Board, it is anticipated that the landowners will be made an offer within six months. Once a contract of sale is executed, the easement sale will close within approximately six months. In the event that a large number of applications are received, the appraisals, and consequently, offers would be done in batches so the timeline might be slightly longer.

Q. ***What happens after I submit my application?***

A. All applications are reviewed to determine their relative ranking according to the county's adopted scoring system. The scoring includes soil classifications, parcel size, surrounding land uses, proximity to existing livestock farms, development pressure and more (see attached selection criteria). Based on the results of the ranking, the county will determine which applications will receive preliminary approval. Approved farms are then appraised in order to determine their easement value.

Q. ***Am I required to accept the county's offer?***

A. No. The Purchase of Development Rights Program is entirely voluntary. After you are informed of the offer you can either accept the value or reject it and "walk away." It is up to you.