

THE NEED TO CREATE A CASH FLOW FROM OPEN SPACE

THE MARKET ECONOMY generally operates on the premise that: "If it doesn't pay, it doesn't stay."

The market also tends to favor "the highest and best use." Hence, the land uses and business activities that generate the most money tend to replace the land uses and activities that generate less money.

Land prices and development patterns in all of the nation's fast-growth areas reflect this.



Open space, by itself, does not have a significant value in today's market economy. Open space derives its value from:

1. The activities that can take place on open lands, such as agriculture, tourism and recreation, that generate sufficient revenues to keep the land open, or
2. The value created by the potential for open land to be converted to other, more profitable uses, such as housing.

Decisions about which uses will take place on a parcel of land generally are driven by these economic considerations.

Even if profit is not the primary motivator, all land uses must take economics into consideration.

To remain viable, a land use must create a "cash flow;" that is, it must generate enough in revenues to offset its costs.

The only exception to this is if land is purchased by a public entity and is taken out of private ownership and out of the market economy calculus.

Even so, the annual costs of operation and maintenance still must be funded – year in and year out – for all time to come, through some dedicated revenue source, a point that often is forgotten in the cost analyses used to promote and approve proposals for public land purchases.

Ongoing operation and maintenance creates a financial liability whether land is in public ownership or private ownership. To remain viable, the uses that take place on the land must, at the very least, offset these annual, ongoing costs.

Florida has a unique land use tool called the Rural Lands Stewardship Program (RLSP). It is remarkable because it provides a means of imparting a market value to natural resources that is higher than the land's potential development value. This allows natural resources to compete

effectively in the market place with developed land uses. Moreover, the RLSP allows a land owner to obtain this enhanced value from his or her land by creating a mechanism whereby these values can be transferred from one parcel to another.

In many ways, the RLSP is a visionary land use policy. However, it still suffers from two weaknesses:

First, it creates a liability by requiring land owners to maintain and manage the lands with high natural resource and public benefit values, from which credits have been transferred, without providing a means of generating a cash flow to cover these costs over time, and

Second, it relies entirely upon current types of open land use activities to provide economic value, generate revenues and provide profit into the future.

Considering the current economic outlook for many of these uses, especially those related to agriculture, this is a risky venture.

Moreover, most of these land uses currently are not competitive with more intense types of use.

Landowners are most likely to prefer options that will provide a positive economic outlook.

This is why it is necessary to identify new opportunities that private land owners can utilize now and in the future to generate a cash flow from open space.

Without a means to pay for annual operations and maintenance, and without a means to make a reasonable return on investment, open space uses will not be able to offer landowners a sustainable or viable option for the long term and, hence, will not be able to compete with other land use options.

At that point, the market economy rule will prevail: "If it doesn't pay, it doesn't stay."

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BIO-BUSINESS SUPPORT SERVICES is working with several partner companies and organizations to establish on-the-ground projects to explore new opportunities for generating a cash flow from open space.

This includes: credits and payments for environmental services, use of "green" technologies such as phytoremediation to reduce or eliminate environmental impacts of human settlements and activities, and production of bio-crops that will produce fuel, energy and an array of bioproducts.

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