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# ENSURING A VIABLE FUTURE FOR FLORIDA'S RURAL LANDS



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## *Ensuring a Viable Future for Florida's Rural Lands*

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### **F**OUR POINTS TO KEEP IN MIND:

1. Without profit, there will be no agriculture
  2. ... and no forestry
  3. Land use tends to follow economics
  4. Land intensification results primarily from economic decisions
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### *How Much are Natural Resource Values Worth?*

There is great irony in the way we view our land and its value for different uses.

*FOR EXAMPLE: If you have a wetland on your property, you might be lucky to get it appraised at \$250 an acre. Start to fill it in, however, and you're likely to find yourself paying a \$10,000 a day fine to the U.S. Environmental Protection agency.*

While natural habitats that are rare and fragile are considered priceless by society, our market economy gives them a low value.

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**HERE ARE SOME PRICELESS NATURAL RESOURCES  
THAT WILL NOT INCREASE YOUR PROPERTY VALUE**

- ◆ WETLANDS
- ◆ WILDLIFE HABITAT
- ◆ PRESENCE OF THREATENED & ENDANGERED SPECIES
  - ◆ HIGH FOOD PRODUCTION CAPABILITY
    - ◆ CLEAN DRINKING WATER
    - ◆ CLEAN AIR
    - ◆ PRODUCTIVE FISHERIES
    - ◆ BIOLOGICAL DIVERSITY
    - ◆ SCENIC VIEWS
- ◆ BIOLOGICAL, BOTANICAL AND SCIENTIFIC OPPORTUNITY
  - ◆ SOIL CONSERVATION
  - ◆ SOIL CREATION
  - ◆ CARBON SEQUESTERING
  - ◆ FLOOD CONTROL
- ◆ TRADITIONAL RURAL CHARACTER

**In fact, these resource may actually *reduce* your property value.**

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Much of the fault for this lies with our land appraisal process ... which, in many states such as Florida, is highly development-oriented. State and county policies literally spawn development, often at the expense of other land uses and environmental considerations.

*Land is valued on the basis of how many housing units or condos it will accommodate<sup>1</sup> ... or on how effectively it will grow our food ... but not on how important it is for aquifer recharge ... or as wildlife habitat.*

In fact, there presently is no way within the market economy to assign a dollar value to the land's ability to grow food, or to the natural resources and wildlife it harbors.<sup>2</sup>

Agricultural landowners can apply for and receive an "exemption," and pay property taxes based on the current agricultural uses on their property.

But the land still retains its underlying housing density, as provided under state law and shown on each county's future land use map. This housing density, which may range from 1 unit per 20 acres to 1 unit per 5 acres for most agricultural land, is used as a yardstick for measuring the land's value for use as collateral for agricultural production loans, and for future development options.

There is no property tax structure — or credit — for environmental uses of land, such as aquifer recharge, or for areas that are left in a natural or undisturbed state, such as habitats that harbor threatened or endangered species.<sup>3</sup>

Consequently, the current property appraisal system actually works against less-than-fee, transfer of development right and conservation easement concepts that offer landowners compensation in return for their willingness to limit (or give up) residential use on their land so its food-growing and natural resources values can be retained or enhanced.

Many landowners do not want any limit placed on their options as a property owner. However, the current appraisal system requires that they "give up" a potentially lucrative use of their property, if they choose to act as custodians of the natural resources on their property.

Moreover, many land managing agencies and nonprofit organizations that operate less-than-fee and conservation easement programs, often are required by statute ... or insist ... that they pay no more than the current appraised value for the development rights that they purchase. Some groups even try to reduce this price to 85% of appraisal.

**Hence, the landowner is given the impression that he or she is losing out on a valuable future use ... is being paid less than today's market value for that use ... and, therefore, is being *penalized*, not rewarded or provided a with a benefit ... for acting as a responsible steward of his or her property.**

This greatly affects the decisions a landowner makes on how land is used.

The result is a tendency to eliminate the features from the land for which the lowest value is assigned — wetlands, wildlife habitat and open pastures — and to convert land to the economic activities for which the highest value is assigned — shopping centers, commercial centers and houses.

The rising cost of land, which is skewed away from agriculture and natural uses and toward development, prices many rural activities out of existence whenever development draws near.

Hence, as a direct result of the way in which land is appraised and valued, we almost predetermine that the last crop will be asphalt.

## ***Tools for Creating Vibrant Rural Areas***

BASIC PREMISE:

Tools are needed that will address problems

Not just the symptoms to problems

Too often, the first response by concerned policy makers, planners, environmentalists and members of the public is to blanket rural areas under a cover of “no development” or very low density development in a misdirected effort to “protect” these areas.

**Again, let me stress:**

- Land use tends to follow economics
- The market provides little value for natural amenities
- Lacking a market value for these amenities, land tends to be valued solely by a units-per-acre yardstick
- This greatly affects the decisions a landowner makes on how land is used, especially when traditional rural land uses, such as agriculture, become unprofitable

That, in my view, is the core problem. Any action taken to “preserve” rural lands that does not take this into account is bound to fail. ***Fighting the market economy with restrictions on land use is and will continue to be an uphill and, ultimately, futile battle.*** This type of approach is like “driving with the brakes on.”

Two prominent examples of “driving with the brakes on” are “downzoning” – or decreasing the number of units that can be built on an acre – and the creation of “agricultural protection districts.”

Both are zoning actions. Unfortunately, zoning of any type is a temporary action. That’s because it always can be changed at a later date. Often by a simply majority vote.

The problem with downzoning is it takes away the units-per-acre value of a property, without giving back any value for natural or ecological values. Hence, the effective value of the land is reduced and an owner’s ability to use it as collateral for loans to carry out rural enterprises, such as agriculture and silviculture, also is reduced.

“Agricultural Protection Zones” are another problematic approach to protecting rural areas. These zones have worked well in some states – California and Pennsylvania, for example – because they were established when land prices were low and when farming was more profitable and appeared to have a much more stable future.

Their basic purpose is to prevent other land uses from interfering with agricultural operations. That’s a plus. But they also place severe limits on the number of units that can be developed on an acre – which, in Florida, would require another round of downzoning.

They won’t work in Florida. I can tell you that from first hand experience in having once worked for an organization that touts many farmland protection tools. A few of these tools are worth considering. But I must say: none have stopped the loss of farmland in any state in any significant way.

In fact, the average success rate for these tools over the past 20 years has been only one acre saved for every 50 acres lost!

As the farm economy has worsened, agricultural protection zones have appeared less and less attractive to rural landowners, even in states such as Pennsylvania and California.

My point is this:

***Without profit, there will be no agriculture.*** And without viable economic activities in rural areas, such as agriculture and forestry, it is going to be almost impossible to maintain the amenities that go along with these working landscapes – which we tend to lump together and call “rural character.”

Quite simply:

*No regulation, land use restriction, import duty, tariff, purchase of development right or other governmental policy ever will be able to sustain agriculture and forestry if it is not profitable for individual operators and their suppliers to remain in business.*

You are likely hear many people advocate a variety of different rural land protection tools. Some don't work. Some are temporary fixes. Some work in other areas, but won't work in Florida. And some have merit, but may need several improvements to make them truly effective. For example ...

## ***Rural Land Protection Tools that Work, But Need Improvement***

### **Conservation Easements**

Need to improve conservation easement programs to make easements more attractive to private landowners. For example:

- Take steps to address inherent conflict created by having permanent agreements covering lands where current economic activities have uncertain futures
- Create easements designed to encourage and promote agriculture. Easements should allow for all normal operations (while promoting environmental compatibility)
- Easements also should allow for and promote economic flexibility so agriculture and forestry enterprises can remain competitive in global economy

Also, need to overcome:

- Complexity of agreements
- Difficulty in negotiating easements on “isolated” parcels, even when there is a willing landowner

### **Transfer of Development Rights**

Will only work if:

- Sufficient incentives are built in for sale & purchase
- Size of sending area is limited so supply does not exceed demand
- It is not possible to petition for zoning variances to increase densities

- The program is mandatory; to increase densities, TDRs must be purchased
- TDR banks are established so landowners can sell TDRs without waiting & builders have central entity to deal with
- Receiving areas have low densities so densities can be increased – without objection from adjacent landowners
- There's a strong demand for growth

#### **BASIC PROBLEM:**

These tools work well when landowners are willing to participate. But they don't fit all situations or all landowner needs. And there will never be enough money to place restrictions (i.e., easements) on every acre of rural land in the state. These programs treat symptoms, not the problem. Hence, while they are very good, valuable tools, their applications always will be limited.

### ***Recommendations***

Need Additional Tools That Emphasize:

- Landowner equity
- Tax issues, especially relief from federal estate taxes
- “Full-cost accounting”
- Land use patterns appropriate to rural areas
- Economic development that builds on traditional rural activities
- Conservation payments tied, not to units per acre, but to ecological and food production values

#### **Landowner Equity:**

Need to find ways to provide landowner equity, so landowners can realize full value of their land without converting it out of native uses and out of agriculture or forestry.

For example:

- Maintain landowner equity through assignment, transfer and consolidation of density allocation credits.
- Also: assign credits for environmental and resource values.
- Also: assign credits to encourage and reward conservation practices.
- Devise prototype programs that provide collateral value and/or market value for natural features of the land that go beyond its values for development and resource extraction.

#### **Appraisal Value:**

- Based on number of credits assigned to property
- PLUS current market value of improvements to property
- PLUS current market value of economic resources (timber, subsurface resources, groves, etc.)
- Mitigation value considered as “highest and best use” in determining value of

- permanent conservation easements
- Appraisers also could use income method for valuing agricultural lands

### **Tax Issues:**

- Develop a demonstration proposal to test a more enlightened tax structure to support agriculture and forestry as essential elements of a viable rural economy:
- Eliminate federal estate taxes
- Provide tax benefit for natural areas and ecological values
- Reduce sales tax on equipment
- Reduce or eliminate intangible tax
- Devise local taxing mechanisms that enable rural land uses to remain competitive for borrowing
- Emphasize link between tax relief & keeping rural enterprises viable and profitable

### **Full-Cost Accounting:**

- Every community and county in the State of Florida should adopt a full cost-accounting system to inform and guide decisions.
- This would involve calculating the economic impacts of programs and facilities, not simply in terms of immediate outlays, but in terms of TOTAL costs and benefits.
- These calculations would show the costs and benefits that are generated over time as a result of each public action, including the additional costs of public obligations that are created by the initial expenditure.
- It also would plot the *economic flows* that radiate out from each public action, and show how these actions affect jobs, tourism, land value, the availability of water, etc.

### **Rural Planning Tools:**

Need rural development policies that are appropriate to rural areas, reflect the needs and unique characteristics of rural communities, and avoid forcing urban development patterns on rural areas.

- Rural lands are unique. They are made up of lands adjacent to each other that are of widely varying parcel sizes, with widely varying intensities of use.
- When an urban matrix is placed over a rural landscape, assigning uniform densities of 1 unit per acre, or 1 unit for every 5 acres, the land immediately loses its rural character, and as development proceeds, the rural landscape begins to look more and more like another suburb.

### **Economic Development:**

Need economic development initiatives that build on traditional rural activities:

- Create strategies for local economic development agencies to recognize and expand on traditional rural activities

- Focus on improving profitability
- Add value to existing products
- Improve financing
- Offer inducements to rural enterprises that are willing to expand, diversity or locate in Florida
- Create prototype programs

### **Conservation Payments Tied to Natural Values:**

- Emphasize that land has more than a one-dimensional value that is based on the units per acre that can be built.
- Downplay payment programs that only recognize values for land development or features that landowners must “give up”
- Develop incentive programs that also pay landowners to retain, protect and manage natural resources.

Need to find ways to celebrate, acknowledge and reward landowners and operators for their private stewardship efforts. Also need to find ways to adjust programs to improve the ability of these owners and operators to nurture the ecological values associated with the lands under their care.

For example:

- Create economic incentives for the implementation of best management practices and other voluntary conservation practices in order to maintain and enhance regional environmental values.
- Target easements to encourage responsible care of special resources, by creating addition easement categories, such as:
  - ▶ AGRICULTURAL RESOURCE EASEMENTS – to maintain productivity of ag areas with important soil, water and weather resources – and to fit with ag operations
  - ▶ ENVIRONMENTAL PROTECTION EASEMENTS – to protect specific environmental resources. Could include easements focused on water storage and recharge and on maintaining native plant and animal species in conjunction with unimproved pasture easements.

Need conservation tools to fill the gap between short-term restoration programs and permanent protection, particularly for private landowners who are not ready to consider public purchases or permanent easements.

For example:

#### *The Resource Conservation Agreement*

- An all-encompassing service contract
- Hires a private landowner as a “vendor” to perform one or more specific services
- Will provide landowners with incentives to protect and maintain, and even

- improve, the natural resources that exist on their lands
- Offers many options to fit the needs of many landowners
- Ties together all conservation tools & incentives in one agreement

RCA contracts will be divided into four separate, but related programs

- *Flexible contracts*: 1-5 years
- *Full contracts*: 20 years
- *Supplemental service contracts*: to be combined with conservation easements
- *Bridge contracts*: to aid in the transition from private ownership when land is purchased with public monies

RCA contracts differ from all existing programs because:

- They are designed to combine conservation activities directly into the daily activities that take place on a property
- They focus on maintaining the ecological integrity of natural resources that already exist on a property, rather than on restoring damaged resources.
- Incentives, in the form of “bonus payments,” will be provided for improvements made to the natural resources covered by the agreements.
- Incentives will be offered to landowners for converting flexible and full-term agreements into permanent conservation agreements.
- The agreements also will provide the contracting agency the right-of-first-refusal if the land is put up for sale.

***RCA also provide payments for the features of a property that society wishes to protect – not on what a landowner gives up. Hence, they provide a means of creating a market value for these features.***

For further information on the Resource Conservation Agreement, visit the project web site at: <http://privatelands.org>

Finally:

### **Identify Local Needs:**

Use templates and instructions at <http://us-farm.com> to encourage rural counties to develop individualized action plans to address their specific needs. Use these action plans to develop – and coordinate – state actions and policies to sustain rural economic activities and maintain rural character.

## ***Discussion***

It is tremendously encouraging – and gratifying – that the Rural Policy Subcommittee and the Governor’s Growth Management Study Commission have incorporated the vast majority of these concepts into their recommendations.

Now it is up to us to ensure that these concepts are fully implemented ... to ensure a viable future for Florida's rural lands.

***Further information***

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## *Endnotes*

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1. Assessments, Florida Statutes, Chapter 193, sec. 001.
2. F.S. 193.
3. Ibid.