Background Information:

AN EXCERPT FROM

A NEW LOOK AT AGRICULTURE

Redefining agriculture's role in our
economy, landscape, environment
& social culture

EXCERPT #6

How Much are Resource Values Worth?

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How Much are 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.

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, they may *reduce* your property value.

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[1] ... not on how effectively it will grow our food ... or 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.[2]

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.[3]

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 ... and 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.

A better approach would be to create an incentive program for private landowners who provide beneficial uses on their land for environmental restoration or enhancement ... for areas that are left in a natural or undisturbed state ... and/or for aquifer recharge ... with

some form of *direct* or *indirect* compensation, such as:

- a cash payment on an annual basis,
- an inheritance or property tax credit,
- guaranteed loans to lower interest rates and/or expand an operation's borrowing power with commercial lenders,
- funds for capital improvements and installation of Best Management Practices (BMPs),
- or regulatory relief.[4]

Grazing lands, for example, may produce a low return on a dollar per acre basis, but for decades they have provided an economically viable use which has allowed private landowners to maintain open space, critical wildlife habitats and water resources for the benefit of all state residents ... at no cost to the public.

Low-intensity agricultural uses can utilize soils that are not desirable for crop production, and can easily incorporate wetlands, hammocks, pine uplands and greenway corridors into their operations.

Converting these lands to urban uses will mean the loss of their natural resources and wildlife values. Purchasing them with public monies can be costly. The results of a study conducted by Farming for the Future, Inc. in Hillsborough County shows that open spaces purchased with public monies cost the county $1.15 for every $1.00 generated in revenues, creating a $0.15 deficit, while agricultural uses only cost $0.16 for every $1.00 of revenue, producing an $0.84 surplus.[5]

On the other hand, studies in New Jersey and Colorado show that residential properties adjacent to protected areas almost always experience an increase in their property values. A study of the impacts of greenbelts on neighborhood property values in Boulder, Colorado, revealed the aggregate property value for one neighborhood was $5.4 million greater than if there had been no greenbelt. This results in $500,000 additional potential property tax revenue annually. The purchase price of the greenbelt was $1.5 million. Thus, the potential increase in property tax alone could recover the initial cost in only three years. In the study, the authors did note that this potential increase is overstated in part because actual assessments may not fully capture greenbelt benefits (Correll, Lillydahl, and Singell, 1978).

Of course, it may not be desirable to always have residential housing backing up to a protected area. Also, other factors, other than *initial* purchase price must be considered.

Although the tax revenues and economic contributions produced by low intensity agricultural uses are small when compared with other land uses, the costs for the services they require are even smaller.[6]

When these lands are purchased with public monies, their tax revenues and economic contributions are lost. The public also must pay for purchasing these lands, for making

capital improvements and for providing ongoing annual maintenance and management.

When public budgets are cut, maintenance and management of public lands often is one of the first categories to suffer, which in turn, allows these lands to degrade, become invaded with invasive and exotic species and, with the build up of undergrowth, be at greater risk of severe damage or habitat destruction as the result of intense fires.

Public lands often are purchased without adequate funds being set aside for their ongoing care and management. Until recently, a "buy now, manage later" philosophy permeated Florida's land acquisition program.[7] As a result, the state currently is facing a significant management backlog on many of its publicly owned lands. Two factors have exacerbated this backlog. One is an across-the-board policy to immediately remove the private landowner from the property, which results in a cessation of the activities the landowner may have been pursuing for generations to manage the land. The second is the years-long delays that have occurred in developing public management plans for publicly-owned properties.[8]

Now Florida requires that management plans and funds be in place *before* land is purchased. But the funding to carry this out – and to make up for the existing backlog – is not adequate.

If you go out to any parcel of state or water management district owned land, then go out on private ranchland you'll quickly see which lands have more wildlife and who are the better land managers.

Fact is, you can find good land managers on public lands, and you can find good land mangers on private lands. You also can find bad managers. In both cases, bad management usually results from a lack of adequate funding.

The point is: *We have to pay anyway. So why not pay private landowners to keep and care for the wildlife habitats and other natural resources that they now have on their properties?*

Several of these concepts are particularly well stated by Lovett E. Williams, Jr., who spent 24 years with the Florida Game and Fresh Water Fish Commission:

> *"One factor contributing to the loss of good wildlife habitat is the policy of low land appraisals for 'unimproved' land. When offered for sale, land that conservationists would consider the very best for wildlife is appraised with no consideration for its conservation features. To the contrary, a slash pine plantation is appraised higher than a natural hammock and an improved cattle pasture is appraised higher than a scrub full of scrub jays and Florida mice. And that is the case even when the State of Florida is having land appraised for purchase of a 'conservation easement.'*
>
> *"I learned that when a consulting client of mine sold a conservation easement to the State. In the appraisal process, only conventional agricultural and developmental land features were valued. Timber and*

wildlife were not. The place had many endangered and endemic species but would have been valued just as high, or higher, without them.

"The present system of [giving a] low rating [to the value of] natural lands is not objected to by the government and private entities in Florida that are presently purchasing conservation lands because it keeps the price down. But that is a short term view. The present appraisal practices encourage landowners to intensify their land uses. And why not? [What do they have to lose?]

As Tim W. Williams, a Dade County potato grower, who recently stopped farming because of the issues discussed in this paper, says: "Any value, tax credit, cash payment, aquifer recharge credit, or other real benefit that can be willingly attributed to privately owned agricultural land for environmental benefits that exist, or that are added or enhanced by the owner or tenant, would be a godsend. How often have we as producers reached into our own pockets to do the right thing only to have that work against our lending value or increase our regulatory burdens? It's high time we move from discussion to action, before more production ag and natural areas are compromised."

Endnotes

1. Assessments, Florida Statutes, Chapter 193, sec. 001.

2. F.S. 193.

3. Ibid.

4. Comment from Tim W. Williams: "True, all true, but there is almost never an excuse for not doing the right thing. Most farmers I know including myself justify continuing or improving the resource value of our property not just of benefit to our community, or the environment, but our duty as farmers, symbiants with the land, to God. Yes, I believe there could be a dollar value placed on certain cultural or conservation practices but that doesn't mean that until I get paid to continue them I will stop, or that I won't do things in a more environmentally beneficial way if I can identify one.

   "We are continually striving to reduce inputs and lower costs while at the same time helping the environment. Sometimes that means using a more expensive pesticide with little or no affect on the surrounding beneficial insect population, or doing more intensive scouting to prevent a spray or two. We have lengthened our season by 60 days to avoid using an insecticide for wireworms completely! There are much higher costs associated with this activity, but considerable monetary gains as well. I have found that when I factor in any potential positive affect on the environment we almost always win."

5. Evans and McGuire, *The Economic Contributions of Agribusiness to Hillsborough County, Florida*, 1996.

6. Ibid.

7. Ibid.

8. Ibid.