



SUMMARY REPORT

To: Farmland Preservation Partners
Re: Statewide Farmland Preservation Formula
Date: November 1, 2024

The State Agriculture Development Committee (SADC) was tasked with developing a new statewide formula for valuing properties that apply to the program in accordance with P.L. 2023 c.245. On October 24, 2024, SADC staff presented a formula concept, developed in conjunction with the SADC's Future Program Subcommittee, to the Committee. The following is a summary of the draft Statewide formula, and the outreach process used to develop the draft.

Stakeholder Engagement

From June through September 2024, SADC staff participated in 22 meetings to present information about the formula and seek feedback from partners. These stakeholder meetings included:

- State Board of Agriculture
- County Agriculture Development Board (CADB) Administrators
- 15 County Agriculture Development Boards
- Two farmer focus groups
- Nonprofit and other government partners
- Conservation Blueprint Steering Committee

In addition, staff met two times each with the formula Technical Advisory Committee that includes farmers, nonprofit partners, Rutgers and Rowan Universities, CADB administrators and other state agency representatives, and the SADC Future Program Subcommittee.

Each stakeholder meeting began with a PowerPoint presentation explaining the reasons behind developing the formula for farmland preservation, the law allowing SADC to develop the formula, and the expected timeline to implementation. Staff then asked a series of questions to facilitate conversations and better understand the most important characteristics of farmland in communities across the state.

Meeting participants shared information that guided development of the proposed formula, as well as potential considerations for the future viability of farmland preservation and agriculture in the state.

Key findings

A number of overarching themes emerged through our outreach, such as:

- Maintaining program focus on protection of agricultural lands and viability;
- Making farmland affordable for transition to the next generation of farmers;
- Including formula factors that are clearly defined and based on readily available data;
- Making the preservation process more efficient; and
- Adding value for the risk of conversion to non-agricultural uses.

Other themes came with a regional spin, indicating that the statewide formula needs to acknowledge variability within and across counties. These factors included:

- **Soils:** Prime soils are a critical agricultural resource, indicative of production capacity, drainage potential, AND development potential. However, regions with fewer occurrences of prime soils asked

not to be penalized, but instead recognized for other attributes such as production of specialized crops or natural resources. Some also noted that soil can be amended and improved.

- **Size:** It was noted that large farms are a priority and important to agricultural viability. Some counties stressed, however, that the largest farms were already preserved, and it is increasingly difficult to meet tillable requirements because farms are smaller or more forested.
- **Contiguity:** Adjacency to preserved farms was noted as important for farms of all sizes. Some counties noted that because of geography or development patterns, preserving contiguous farms would be unlikely.
- **Water:** Availability of water for irrigation, as well as wetlands, streams and headwaters for protection of habitat, water quality and quantity, were noted among stakeholder groups. Aquifer recharge and flood mitigation were noted as key characteristics of farmland.

Other factors of note include protecting forests, habitat connectors, and farms with proximity to markets.

Discussion participants raised several issues that may not be addressed through the formula, but may be considered for possible future programs. These include:

- Rewarding productivity and growth of niche crops;
- Incentivizing farming and implementation of farm conservation plans, for example, by implementing programs that include long-term stewardship payments;
- Reducing the tax burden associated with selling easements.

Draft Formula

For Discussion Purposes Only. These formula concepts are preliminary and subject to change. Final regulations have not yet been adopted.

The SADC developed a draft formula that aims to be clear, consistently applied, based on commonly available and sound data, representative of stakeholder feedback, and grounded in the requirements of the Statewide Formula Value law.

This draft concept was presented to the SADC on October 24, 2024. **The final formula has not yet been adopted and this is for discussion purposes only.**

Formula Concept - Summary

Base Value	= 50% of Certified Fee Value
+ Agricultural Value (Top 3 Scores)	= 20% Maximum of Certified Fee Value
+ Natural Resource Value (Top 3 Scores)	= 10% Maximum of Certified Fee Value
+ Other Factors	= 15% Maximum of Certified Fee Value
= Total Formula Value w/o Additional Deed Restrictions	= 80% Maximum of Certified Fee Value
+ Voluntary Deed restrictions	= 10% Maximum of Certified Fee Value
= Total Formula Value w/Voluntary Deed Restrictions	= 90% Maximum of Certified Fee Value

Formula Concept - Explanation (20% Agricultural / 10% Natural Resources)

Using an appraisal to determine the fee value of the farm, the proposed formula uses **50% of fee as the base for the easement value**. Additional value based on farm characteristics, consistent with P.L. 2023 c.245, referred to as “add-on’s”, could generate up to 30% of additional easement value, or up to 80% of the fee value of the farm.

SADC staff and the subcommittee are recommending the option of additional, voluntary, deed of easement restrictions that, if selected, could add an extra 10% to the easement value, for a **maximum formula value potential of up to 90% of the fee value of the property**.

Easement offers today average approximately 50% of the fee value of the property. While the formula is likely to raise easement offers for most farms, it has been designed so that only high-quality parcels will reach the maximum offer. Farms with greater agricultural and natural resource characteristics will score higher than lesser quality farms. Add-on values were split into 4 categories as follows:

#1 Agricultural Resources

Each subcategory is attributed points which convert to a % value increase up to a maximum of 20% of certified fee value

- Soils
- Size
- Tillability
- Contiguity (adjacent to, or within ½ mile of, other preserved farms)
- Water supply (for agricultural use)

2 Natural Resources

Each subcategory is attributed points which convert to a % value increase up to a maximum of 10% of certified fee value

- Aquifer Recharge
- Upland Forest
- Hydrology (wetlands and flood hazard mitigation)
- Contiguity (adjacent to, or within ½ mile of, preserved open space or conservation lands)
- Surface Water Quality (streams)

#3 Additional Factors

Each subcategory could add 5% to your value

- Risk of Conversion
- Proximity to Critical Infrastructure (airports/military facilities/power stations, etc.)
- Local Importance

#4 Voluntary Factors with Additional Restrictions

Each subcategory adds 5% to your value = 10% total value increase

- Impervious Cover Limit (10% maximum)
- House Size Limit (2,500 sq/ft)

The proposed formula utilizes the top 3 scores in the **Agricultural Resources** category and the top 3 scores in the **Natural Resources** category to calculate the cumulative score for each. The resulting points are then converted to a percentage of fee, based on weighting, with Agricultural Resources getting twice the weight of Natural Resources. This percentage is added to the 50% base.

The practice of using the top 3 scores in these categories originated with the subcommittee's interest in allowing our preservation partners to customize portions of the formula for their region. After running various scenarios using a custom scoring system, we determined there are a number of challenges associated with this idea, the primary issue being county-specific criteria resulting in meager scores for farms that have traditionally been considered high ranking farms for our program but may not be typical in the county. Further, some County partners were opposed to the additional administrative burdens individualized scoring would place on their Boards. By including all the major characteristics the stakeholder groups advised us were important, and then allowing the best of each category to be used for the calculation, each individual farm is able to achieve the highest score for its most valuable qualities, while maintaining statewide consistency.

The **Additional Factors**, listed in #3 above, are less common characteristics that are considered yes/no factors, meaning the factor applies to the farm or does not. These factors include Risk of Conversion, Proximity to Critical Infrastructure and Local Importance.

Risk of Conversion is the potential for the property to be developed with a nonagricultural use as determined by the property's location outside, but within one mile of, the State Plan Smart Growth Areas. Proximity to Critical Infrastructure is the farm's value as a buffer to uses such as airports, military facilities, power stations, etc. Local importance refers to the property's unique value to the municipality or local region as determined by local agricultural boards and consistent with SADC's definition.

Each Additional Factor is worth a 5% increase to the base and added to the Agricultural and Natural Resources score. **However, the maximum possible increase to the base from all three categories is 30%.**

The two **Voluntary Factors with Additional Deed Restrictions** include an impervious cover limit and house size limit. These stakeholder recommendations address two major concerns – water management and farm affordability. Each of these could add a bonus of 5% for a total of 10% to the easement offer.

Limiting impervious cover on agricultural lands is considered one way of ameliorating a number of water management issues, which many stakeholders noted as a problem expected to worsen in the coming years. An impervious cover limit has been part of the Pinelands valuation formula (N.J.A.C. 2:76-19 et seq.) for 20 years as well as a restriction in easements purchased with federal cost share.

The voluntary house size limit was the result of CADB conversations regarding affordability of preserved farms. House size limits have long been required by the Mercer CADB and on SADC fee simple farms.

Attached is a subset of the slides presented at the SADC meeting showing the template formula applied to three sample farms and the definitions of each category. The slides also show the distribution of value added with the formula across farms currently in application.

The SADC still hopes to finalize and publish the formula rule in early 2025. We will continue to update our partners and stakeholders on details about adoption and implementation of the formula.

Please contact Stephanie Kreiser, stephanie.kreiser@ag.nj.gov with questions.