

Farmland Preservation Statewide Formula-Based Value

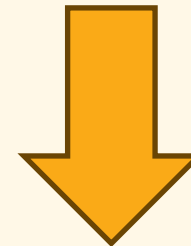
Table of Contents: State Formula Value Slides

- ❖ **Slides 3 through 6** summarize the reasons for developing the formula and the formula value law requirements.
- ❖ **Slide 7** offers a snapshot of the formula concept.
- ❖ **Slide 8** shows the distribution of value added with the formula across farms currently in application.
- ❖ **Slides 9 through 12** applies the preliminary formula concept to three sample farms for demonstration. Farm 1 is a high quality farm for agricultural production, Farm 2 is an average quality farm and Farm 3 is a lower quality farm.
- ❖ **Slides 13 through 16** provide draft definitions for each factor within the formula.

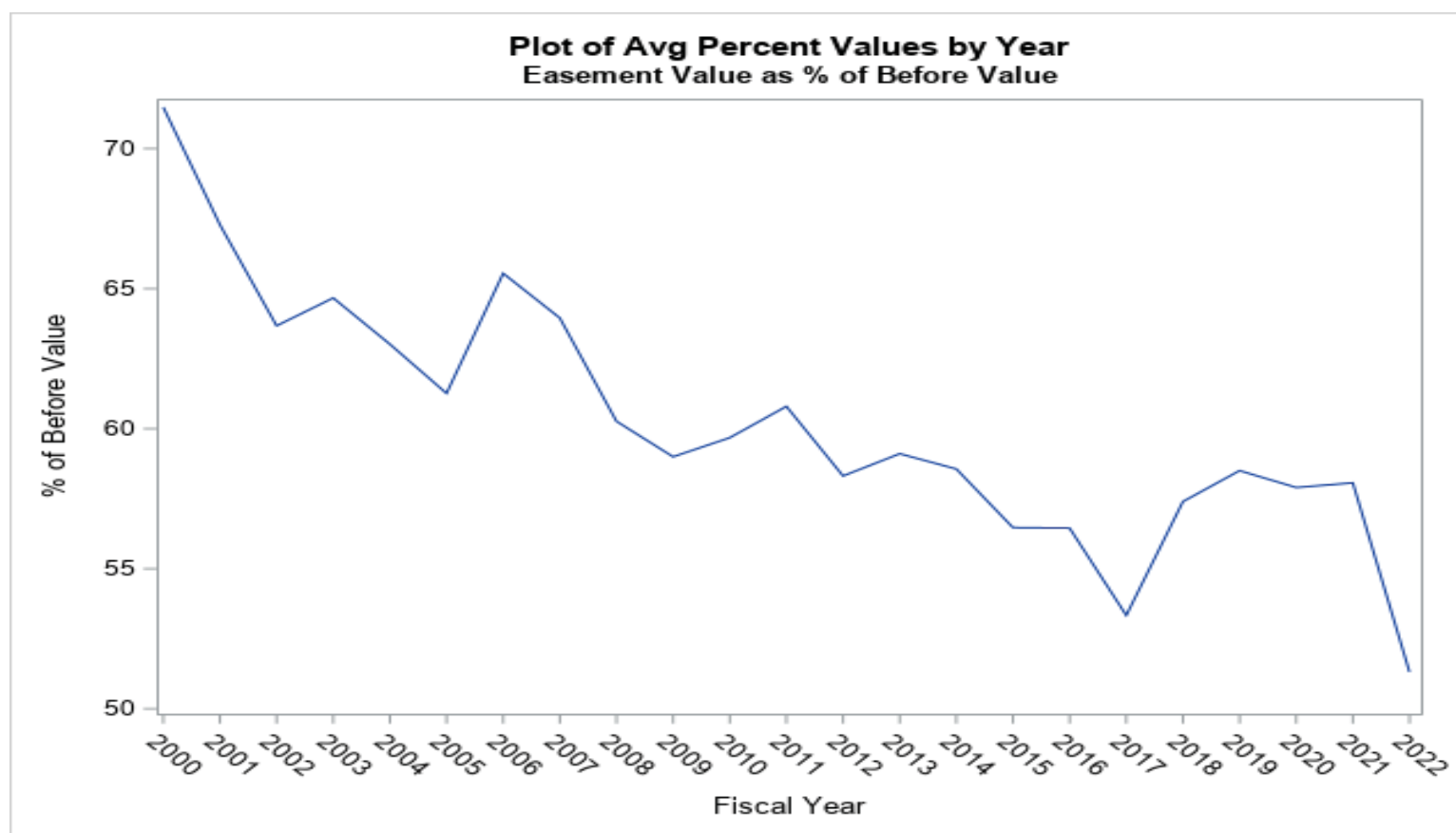
Please note this is for discussion purposes only. These formula concepts are preliminary and subject to change. Final regulations have not yet been adopted.

The Appraisal Process

- Appraise the value of the land (“highest and best use”) – the “BEFORE” value
- Appraise the value for farming – the “AFTER” value
- Before value – after value = Easement Value
- Example:
$$\begin{array}{r} \$15,000 / \text{acre before value} \\ - \$5,000 / \text{acre after value} \\ \hline = \$10,000 / \text{acre EASEMENT value} \end{array}$$
- But what happens when “before” values go down?
- Or “after” values go up?
- EASEMENT VALUES GO DOWN!
- Landowners get....



Average Easement Values as Percent of Before Value by Year



Overview of Statewide Formula Law (SFV) – P.L. 2023, c. 245 - May, 2024 (cont'd)

D. Formula must include consideration of:

1. SADC conducting/analyzing a sufficient number of appraisals of farmland within the municipality, and/or the surrounding market area;
2. Farmland and easement values in counties and municipalities reasonably contiguous to the farm;
3. Importance of preserving agricultural lands in the municipality & county;
4. Status and value of natural resources in the municipality and county, and in those reasonably contiguous to, where the farm is located;
5. Other relevant factors necessary to increase participation in the FPP, including, but not limited to:
 - Rate of inflation
 - Quality of agricultural soils
 - Size of farm
 - Risk of conversion to non agricultural use
6. Providing additional value for proximity of a farm located adjacent to:
 - Preserved farmland
 - Preserved recreation & conservation lands
 - Aquifer recharge areas
 - Lands subject to development/conservation easements
 - Lands whose conversion to nonag uses would lead to conflicting land uses, such as utility/road ROWs, military bases, airports/airspace

E. Statewide Formula Value is in addition to other valuation tools currently used:

1. Traditional appraisal process
2. Pinelands easement formula
3. Highlands dual appraisal
4. Landowners will be provided the values according to all applicable valuation tools, and the higher of the values “shall” be utilized as a basis for negotiations for acquisition. A landowner may waive any of the above valuation options.

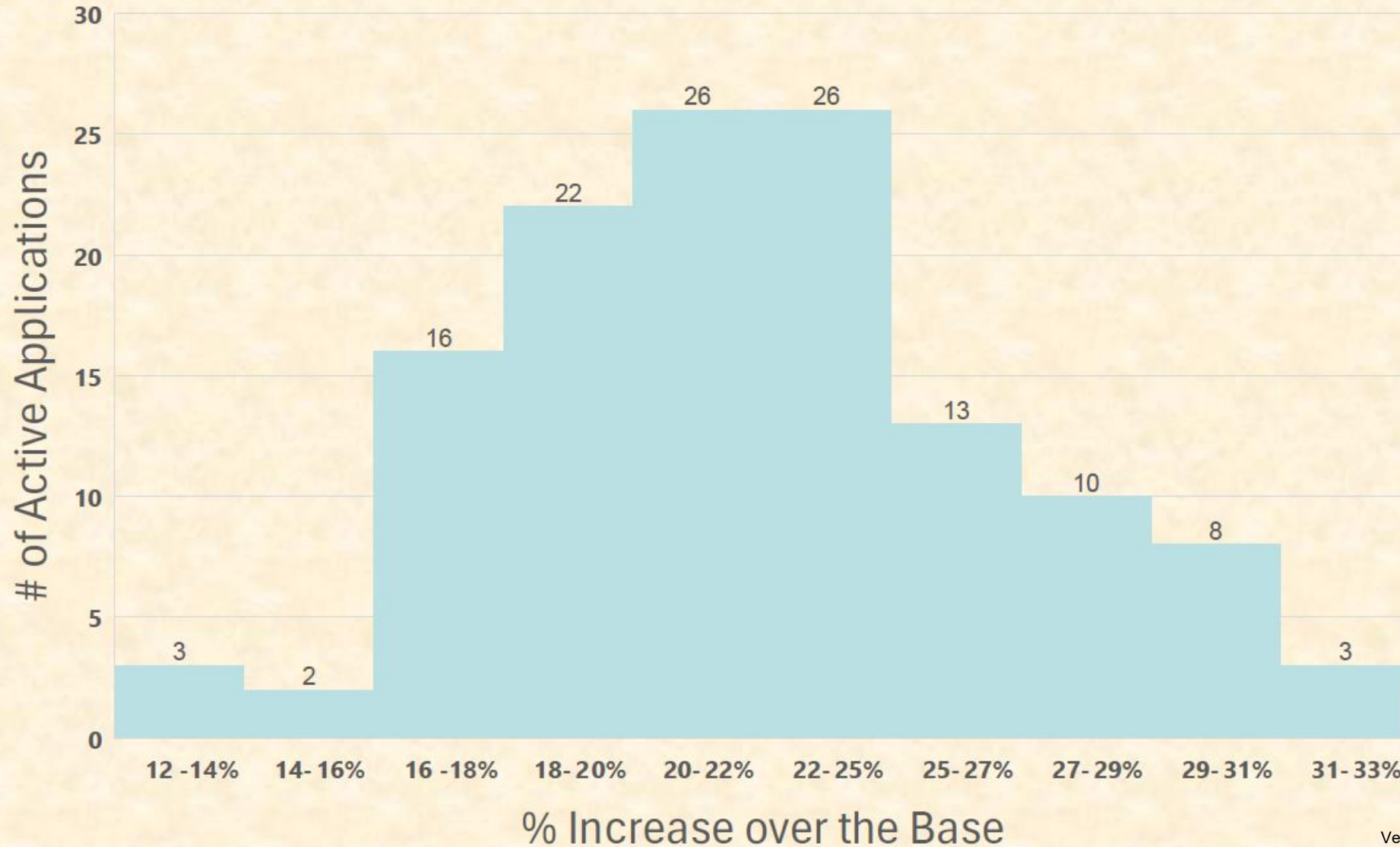
F. Other Provisions

1. Use of the SFV is permitted when federal funds are used (if permissible by the federal funding partner)
2. SADC is authorized to adopt rules to establish the formula upon filing “notice” in the NJ Register. The normal rule proposal / public comment period process will not be applicable at this time. SFV rules will be in effect for up to 3 years – SADC must go through formal rule making process during that 3-year period.

Formula Concept

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

Distribution of Farm Scores



Statewide Formula Value Add ons = 20% Agricultural / 10% Natural Resources - Top 3 scores each			High	Avg	Low
Farm Name & location			Farm #1	Farm #2	Farm #3
Farm Size (Net Acres)			60	101.6	230.3
Current Certified Before Value			\$12,000	\$18,000	\$8,400
Certified Easement Value			\$7,000	\$8,000	\$4,200
Certified Easement as % of Fee			58%	44%	50%
Base Value (50% of Certified Before)			\$6,000	\$9,000	\$4,200
Soils	% Prime *0.1 % SW *0.08 % Unique *0.06 % Local*0.04 Other =0	0-10	9.83	6.56	0
Size	% of county avg ≥100% = 10 75-100% = 8 50-74% = 6 25-49% = 4	0-10	4	10	10
Tillability	100-90% = 10 89-80% = 9 79-70% = 8 69-60% = 7 59-50% = 6 49-40% = 5 39-30% = 4 29-20% = 3 19-10% = 2 9->0 = 1 >25 acres = 5	0-10	9	9	5
Contiguity to Preserved Farms	Adjacent to Preserved Farmland = 5 % Preserved Farm w/in 1/2 mile >50% = 5 49-30% = 4 29-20% = 3 19-10% = 2 1-9% = 1	0-10	10	9	1
Water Supply	Has Agricultural water usage certification or registration	0 or 5	0	0	0
Total Top 3 Scores (Max 30)			28.83	28	16
1 point = 0.67	67%	Ag Category %	19.3%	18.8%	10.7%

Statewide Formula Value Add ons = 20% Agricultural / 10% Natural Resources - Top 3 scores each			High	Avg	Low
Farm Name & location			Farm #1	Farm #2	Farm #3
Farm Size (Net Acres)			60	101.6	230.3
Current Certified Before Value			\$12,000	\$18,000	\$8,400
Certified Easement Value			\$7,000	\$8,000	\$4,200
Certified Easement as % of Fee			58%	44%	50%
Base Value (50% of Certified Before)			\$6,000	\$9,000	\$4,200
Aquifer Recharge	16"- 23" *0.1 11"- 15" *0.08 8"- 10" *0.06 1"- 7" *0.04	0-10	5.29	3.27	6.82
Upland Forest	5 Contiguous Acre Minimum Mgmt plan = Full points No mgmt plan = 1/2 points >80% = 10 79-70% = 9 69-60% = 8 59-50% = 7 49-40% = 6 39-30% = 5 29-20% = 4 19-10% = 3	0-10 w/Plan 0-5 w/o Plan	0	0	5
Hydrology (Considers Overlap between Wetlands and Flood Hazard Area)	5 points max each Wetlands (Excl Mod Ag) & Flood Hazard Mitigation >50% = 5 49-40% = 4 39-30% = 3 29-20% = 2 19-1% = 1 >25 acres = 3	0-10	1	1	1
Contiguity to Preserved Open Space	Adjacent to Open Space = 5 % Open Space w/in 1/2 mile >40% = 5 39-30% = 4 29-20% = 3 19-10% = 2	0-10	0	0	7
Range based on Surface Water Quality Classification	Outstanding National Resource Waters (FW1 or PL) = 10 Category One (C1) = 10 Category 2 (C2) = 5 Not Present = 0	10, 5 or 0	5	5	10
Total Top 3 Scores (Max 30)			11.29	9.27	23.82

Statewide Formula Value Add ons = 20% Agricultural / 10% Natural Resources - Top 3 scores each			High	Avg	Low
Farm Name & location			Farm #1	Farm #2	Farm #3
Farm Size (Net Acres)			60	101.6	230.3
Current Certified Before Value			\$12,000	\$18,000	\$8,400
Certified Easement Value			\$7,000	\$8,000	\$4,200
Certified Easement as % of Fee			58%	44%	50%
Base Value (50% of Certified Before)			\$6,000	\$9,000	\$4,200
Total Ag & Nat Factors			23.0%	21.8%	18.6%
Other Factors	Definition	Percent			
Risk of Conversion / Imminence of Change	Within 1 mile of State Plan Smart Growth Areas	Y/N (0 or 5%)	5%	0	0
Farm Value as Buffer to Critical Infrastructure Uses	Critical Infrastructure within 1/2 Mile	Y/N (0 or 5%)	0%	0	0
Local Importance	Determined by the CADB or AAC consistent with the SADC definition	Y/N (0 or 5%)			
Total Other Factors			5.0%	0.0%	0.0%
Maximum 30%		Total Ag, Nat & Other	28.0%	21.8%	18.6%

Statewide Formula Value Add ons = 20% Agricultural / 10% Natural Resources - Top 3 scores each			High	Avg	Low
Farm Name & location			Farm #1	Farm #2	Farm #3
Farm Size (Net Acres)			60	101.6	230.3
Current Certified Before Value			\$12,000	\$18,000	\$8,400
Certified Easement Value			\$7,000	\$8,000	\$4,200
Certified Easement as % of Fee			58%	44%	50%
Base Value (50% of Certified Before)			\$6,000	\$9,000	\$4,200
Voluntary Factors with Additional Deed Restrictions					
Restriction	Definition	Percent			
Impervious Cover Limit	10% Maximum Cover	Y/N (0 or 5%)	5%		
House Size Limit	2,500 SF Maximum	Y/N (0 or 5%)	5%		
	Total Additional Restrictions %		10.0%	0.0%	0.0%
Per Acre Base Value			\$6,000	\$9,000	\$4,200
Additional Ag & Natural Resource Value			\$2,765	\$3,927	\$1,561
Other Factors			\$600	\$0	\$0
Per Acre Formula Value w/o Voluntary Restrictions			\$9,365	\$12,927	\$5,761
Voluntary Factors w/ Additional Deed Restrictions			\$1,200	\$0	\$0
Total Per Acre Value w/Voluntary Deed Restrictions			\$10,565	\$12,927	\$5,761
Cap Offer (80% - 90% Fee, depending on voluntary restrictions taken)			\$10,800	\$14,400	\$6,720
Max Offer to Landowner			\$10,565	\$12,927	\$5,761
Total All Factors (Agricultural Resources, Natural Resources, Other Factors & Voluntary			38.0%	21.8%	18.6%
Formula as % of Fee			88.0%	71.8%	68.6%
Certified Easement as % of Fee			58%	44%	50%
% difference of formula vs. CMV			30%	27%	19%

Formula Factor Descriptions

Agricultural Resources

Factor Category	Attribute	Data Source(s)	Data Name	Application Description
Agriculture	Soils	NRCS	Prime and other Important Farmlands	Percent of Important Farmland Soils on the application. Area for each category calculated and summed as % of farm.
	Size	Farm Application	Parcels and MOD-IV Composite of NJ	Size of application in relation to county average as determined by the Census of Agriculture
	Tillability	NJDEP	NJDEP Land Use Land Cover (2020): TYPE 20= "Agriculture" or "LABEL20" = "Agricultural Wetlands (MODIFIED)"	Percent of tillable lands on a application.
	Contiguity to Preserved Farms			
	Adjacency	SADC	Preserved Farmland of New Jersey	Preserved Farmland within 100' Farm Buffer.
	Project Area Infill	SADC	Preserved Farmland of New Jersey	% Preserved Farmland within 1/2-mile Farm Buffer.
	Water Supply	NJDEP		Applicant farm has an Agricultural Water Useage Certification or Registration

Formula Factor Descriptions

Natural Resources

Factor Category	Attribute	Data Source(s)	Data Name	Application Description
Natural Resources	Aquifer Recharge	NJDEP	Ground Water Recharge Areas in New Jersey	Categories based on inches/year. Area for each category calculated and summed as % of farm.
	Hydrology			
	Wetlands	NJDEP	NJDEP Land Use Land Cover (2020): Exclude "LABEL20" = "Agricultural Wetlands (MODIFIED)"	Percent of farm in Wetlands (w/o Ag. Modified Wetland)
	Flood Hazard Mitigation	NJDEP	NJ Inland Design Flood Elevation (FEMA 1% Chance Annual Flood Plus 3 Feet)	Percent of farm in Flood Hazard Area (FHA). Rutgers generated layer used to estimate application of NJDEP's new Flood Hazard Area regulations (NJAC 7:13)
	Streams	NJDEP	Surface Water Quality Classification of New Jersey	Based on Surface Water Quality Antidegradation Designation. Area for each category calculated and summed as % of farm.

Formula Factor Descriptions

Natural Resources

Factor Category	Attribute	Data Source(s)	Data Name	Application Description
Natural Resources	Contiguity to Open Space	NJDEP Green Acres, Pinelands, Highlands	Includes Green Acres, Highlands and Pinelands Open Space Layers	
			State, Local and Nonprofit Open Space of New Jersey	
			Pinelands Permanent Land Protection Restrictions	
			Highlands Preserved Lands	
	Adjacency			Open Space within 100' Farm Buffer.
	Project Area Infill			Percent Open Space within 1/2-mile Farm Buffer.
	Upland Forest		NJDEP Land Use Land Cover (2020)	Percent of Farm in Upland Forest

Formula Factor Descriptions

Other Factors & Voluntary Deed Restrictions

Factor Category	Attribute	Data Source(s)	Data Name	Application Description
Risk of Conversion / Imminence of Change		NJ Office for Planning Advocacy	NJ State Plan Smart Growth Areas	One mile buffer of State Plan Smart Growth Areas to capture leading edge of development expansion but not include those developed areas where growth is encouraged and infrastructure available.
Farm Value as Buffer to Critical Infrastructure		Various	Statewide GIS layers found identifying location of military bases, public airports, solid waste landfills, power plants. Locally identified uses would be accepted as well.	1/2 mile buffer of aggregated layer of critical infrastructure
Local Importance		Determined by the CADB or AAC consistent with the SADC definition		<p>“Property of Local Importance” means Property that is important because of its value to the municipality or local region due to its unique attributes, the preservation of which supports the local economy or the goals of the municipal master plan. The Property will meet this definition if, at a minimum, its unique attributes are easily identifiable, supported by sufficient evidence, and such attributes are not assigned value in other Formula categories.</p> <p>Examples of a “Property of Local Importance” may include, but not be limited to, properties that have historical or cultural significance, properties that provide an important viewshed, or properties that produce a niche product or service.</p>
Voluntary Factors with Additional Deed Restrictions	Impervious Cover Limit (10%)	Farm Application		
	House Size Limit (2500 sq. ft.)	Farm Application		