

EXECUTIVE SUMMARY

American Farmland Trust (AFT) conducted research and analysis to help the town determine the feasibility of establishing a purchase of development rights (PDR) program in Caledonia, Wisconsin. The project included two major elements: Conducting case studies of three local PDR programs that could be used as models for the town of Caledonia and calculating program costs for purchasing development rights on 500, 1,250 or 2,500 acres of land over a 10-year period.

Case Studies of PDR Programs

The first component of the project includes case studies of three (PDR) programs administered by local governments. AFT staff selected three local programs from different parts of the country. All grew out of a community planning process and, like other successful programs, implement or reinforce elements of their local land use plans.

Two of the case studies examine relatively new town- or township-level programs in the Midwest—the Dunn, Wisconsin, Rural Preservation Program and the Peninsula Township, Michigan, PDR program. Dunn is relevant because it is located in the same state as Caledonia. Therefore, discussions about state sources of funding and state resources like the Natural Resources Conservation Service state office and soil survey are particularly useful. Peninsula Township was chosen because the community conducted a particularly well-organized public education campaign to establish its program. Peninsula also has clearly defined program purposes that are carried through program implementation. The final case study describes a well-established county-level program—the Lancaster County, Pennsylvania, Agricultural Preserve Board—that works within the framework of a well-funded state-level program. Lancaster County is an important example because of its long track record, almost exclusive focus on supporting the business of farming and experimentation with innovative implementation strategies.

The case studies demonstrate how different communities have adapted PDR to accomplish community goals and how programs are funded and implemented. AFT included definitions of key terms in the text and in a glossary following the case study section. AFT also included key program documents as attachments, which can be adapted by Caledonia officials as needed.

The case studies highlight key lessons learned from successful PDR programs and things to consider in the establishment and management of a PDR program in Caledonia. Five of the most important are:

1. The program purposes are an important summary of the community's expectations for the program. The stated purposes should inform the development of eligibility and ranking criteria and the easement document.
2. Program implementation requires professional staff and a team of service providers.

3. Dedicated funding over time is important so that landowners can incorporate PDR into their long-range plans. Once established, programs leverage local money with private, state and federal matching funds.
4. Easement monitoring is essential.
5. Termination provisions provide flexibility over time but should be premised on the idea that the easements are intended to be in perpetuity and therefore should include a series of stringent tests to extinguish an easement.

Estimated Cost of a PDR Program

AFT conducted a two-phase analysis to estimate the costs of purchasing development rights on farmland in Caledonia. In Phase I, the per-acre value of purchasing development rights was determined by subtracting the restricted (or “after value”) of the land from the “fair market” value of the land. Fair market value was determined by a review of local real estate appraisals and comparable sales. Restricted values were derived by researching sales of land with limited development potential (e.g., steep slopes, zoning restrictions, rocky, wetlands, etc.) and/or land protected by other kinds of conservation easements. The per-acre cost of purchasing development rights was an estimated \$3,412.

In Phase II, using the findings from Phase I, AFT estimated the program costs of purchasing development rights in the town. Annual and 10-year cost estimates were developed for protecting totals of 500, 1,250 and 2,500 acres of farmland. To put these estimates into perspective, AFT calculated the percentage of the town’s farm and forest classified land that would be protected under each scenario.

Then AFT calculated the average cost to property owners to fund a PDR program. First, AFT determined the millage rate needed to fund the annual program and the payment required for every \$100,000 of assessed value. Then Evergreen Capital Advisors, Inc.—a consulting firm that specializes in PDR bond financing—calculated the costs of financing the program using 20-year bonds. The assumption for this part of the analysis was that the town would issue a bond to fund purchasing development rights on more than 1,000 acres of farmland.

The results of Phase II show that:

1. Protecting 500 acres, or 4 percent, of Caledonia’s farmland would cost about \$2.4 million over 10 years with an annual cost to the taxpayer of roughly \$13 per \$100,000 of valuation.
2. Protecting 1,250 acres, or 9 percent of Caledonia’s farmland would cost about \$8.7 million over 30 years with an annual cost to the taxpayer of about \$16 per \$100,000 of valuation.
3. Protecting 2,500 acres, or 19 percent, of Caledonia’s farmland would cost about \$17.4 million over 30 years with an annual cost to the taxpayer of about \$31 per \$100,000 of valuation.