

**APPRAISAL  
PROCEDURES  
FOR  
AGRICULTURAL  
CONSERVATION  
EASEMENTS**

PREPARED FOR  
“PROTECTING  
AGRICULTURAL LANDS IN  
THE FINGER LAKES”  
SEMINAR

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# APPRAISAL PROCESS

- INTERVIEW & PROPOSAL
- PROPERTY INSPECTION
- FIELD RESEARCH
- DETERMINATION OF HIGHEST & BEST USE
- “BEFORE” APPRAISAL
- ANALYSIS OF CONSERVATION EASEMENT
- “AFTER” APPRAISAL
- VALUE DUE TO CONSERVATION EASEMENT

# DESCRIPTION OF PROPERTY

- PHYSICAL CHARACTERISTICS
- LEGAL USES & RESTRICTIONS
- NEIGHBORHOOD TRENDS
- MARKET ACTIVITY
- DEVELOPMENT POTENTIAL

# PHYSICAL CHARACTERISTICS

- SIZE
- SHAPE
- ROAD FRONTAGE
- TOPOGRAPHY
- WETLANDS
- AMENITIES
- RESTRICTIONS

# LEGAL RESTRICTIONS

- MINIMUM LOT SIZE
- MINIMUM FRONTAGE
- SUBDIVISION REQUIREMENTS
- FLAG LOTS
- PERMITTED USES

# HIGHEST & BEST USE

- LEGALLY PERMISSIBLE
- PHYSICALLY POSSIBLE
- FINANCIALLY FEASIBLE
- MAXIMALLY PRODUCTIVE

# HBU – LEGAL

- CONSIDER POTENTIAL USES
- MAXIMUM DEVELOPMENT
- REALISTIC DEVELOPMENT
- DEVELOPMENT COSTS
- SUBDIVISION COSTS

# HBU - PHYSICAL

- PHYSICAL FEATURES
- FRONTAGE
- TOPOGRAPHY
- WETLANDS
- RESTRICTIONS TO DEVELOPMENT
- AMENITIES

# HBU - FINANCIAL

- DENSITY OF DEVELOPMENT
- MARKET STUDY
  - RANGE OF LOT SIZES
  - RANGE OF PURCHASE PRICES
  - QUANTITY OF SALES
- MAXIMUM MIX
- BULK DISCOUNTS
  - SUBDIVISION
  - MARKETING

# HBU – MAXIMALLY PRODUCTIVE

- WHICH COMBINATION OF LOT SIZES WILL PRODUCE GREATEST RETURN?
- CONSIDER EXPENSES
- CAN NOT ADD INDIVIDUAL LOT VALUES TO PRODUCE MARKET VALUE
- SUBDIVISION & MARKETING DISCOUNTS

# APPRAISAL ANALYSIS

- “BEFORE & AFTER” APPRAISALS
- “BEFORE” – CONSIDERS FULL POTENTIAL FOR RURAL DEVELOPMENT
- FEE SIMPLE VALUATION
- LAND ONLY?
- BUILDINGS?

# BEFORE APPRAISAL

- APPLY MARKET STUDY
- DIVIDE SUBJECT INTO LOTS (EU's)
- RESEARCH SALES IN SIZE CATEGORIES
- PREPARE VALUATION GRIDS
- CALCULATE GROSS VALUE
- APPLY SUBDIVISION & MARKETING DISCOUNTS
- NET VALUE OF LAND

# MARKET STUDY USES

- MAXIMIZE LOT DEVELOPMENT
  - GREATEST NUMBER OF LOTS
  - SHORTEST ABSORPTION TIME
  - DEVELOPMENT COSTS
  - HIGHEST NET VALUE
- ACTIONS OF MARKET
  - PREFERENCE FOR < 75-AC. PARCELS
  - SMALLER LOTS = HIGHER \$/ACRE

# IMPROVEMENT VALUE ?

- NYS FPP – LAND ONLY
- USDA – LAND & BUILDINGS
- IRS – LAND & BUILDINGS
  - SAME OWNERSHIP
  - RELATED OWNERSHIP

# ANALYSIS OF CONSERVATION EASEMENT

- OWNERSHIP RIGHTS EXTINGUISHED
- OWNERSHIP RIGHTS RETAINED
- RESTRICTIONS ON REMAINING RIGHTS
- IMPACT ON REMAINING PROPERTY
- QUALIFIED ENTITY TO HOLD CE

# AFTER APPRAISAL

- MARKETABLE SIZE FOR AG USE
- MARKET VALUE WITHOUT DEVELOPMENT RIGHTS
- SALES OF AG LAND WITH CE's
- SALES OF AG LAND WITH MINIMUM DEVELOPMENT POTENTIAL

# AFTER APPRAISAL

- ALTERNATIVE VALUE METHODS
  - INCOME VALUATION
  - SURVEYS
  - SALES OF CONSERVATION EASEMENTS
    - NOT ACCEPTED BY ALL ENTITIES

# VALUE OF DEVELOPMENT RIGHTS

- DIFFERENCE BETWEEN “BEFORE” AND “AFTER” VALUES

# FEDERAL AGENCIES

- USDA REQUIRES INCLUSION OF IMPROVEMENTS
- USDA USUALLY REQUIRES “YELLOW BOOK” APPRAISAL REPORTS

# IRS REQUIREMENTS

- CLAIMS FOR CHARITABLE DONATIONS
- IRS HAS FOUR REQUIREMENTS
  - ALL IMPROVEMENTS
  - OTHER SAME-OWNED PROPERTIES
  - RELATED-OWNED PROPERTIES
  - APPRAISAL DATED WITHIN 60 DAYS OF DONATION

# IRS - IMPROVEMENTS

- IMPROVEMENTS VALUED IN “BEFORE” AND “AFTER” APPRAISALS
- MEASURE “ENHANCEMENT” FROM CE
- GOLF COURSE EFFECT
- LOWER HUDSON VALLEY
- DENSE SUBURBAN AREAS
- OPEN RURAL AREAS

# IRS – SAME OWNERSHIP

- IDENTIFY OTHER NON-CE PROPERTY
- DETERMINE IF COULD BE ENHANCED
- CLOSE PROXIMITY
- VIEWSHED LOCATIONS
- SPHERE OF INFLUENCE OF CE

# IRS – RELATED OWNERSHIP

- IDENTIFY FAMILY-OWNED PARCELS
  - ANCESTRAL – PARENTS & GRANDPARENTS
  - LINEAL – CHILDREN & GRANDCHILDREN
  - SPOUSE
  - SIBLINGS – SISTERS & BROTHERS
- PRIVATE AND CORPORATE
- ONLY MEANS FOR IRS TO CAPTURE VALUE INCREASE TO NON-CE PARCELS

# IRS – APPRAISAL DATE

- DATE OF DONATION
- MAXIMUM OF 60 DAYS PRIOR TO DATE OF CLOSING
- PREFER TO GET RECORDED DEED OF CONSERVATION EASEMENT

# IRS MATH

- AMOUNT OF ENHANCEMENT (VALUE INCREASE FROM CE) IS DEDUCTED FROM VALUE OF DEVELOPMENT RIGHTS
- NET VALUE, LESS AMOUNT PAID, EQUALS VALUE OF DONATION

**QUESTIONS ?**