

Subject: LTP- WRP Easement Compensation Procedure

TO: OTAC

In the table below are Oregon's Fiscal Year 2012 Geographic Area Rate Caps (GARCs). The GARCs are used for easement compensation under NRCS WRP and WREP-RRPP easement signup. These rates are pending review by the Oregon Technical Advisory Committee (OTAC).

Oregon is transitioning the Geo Cap regions from the subjective Growing Regions map and Land Use Descriptions to the map based on Major Land Resource Areas (MLRA) with soils classifications and current land use developed primarily by Oregon soils scientists. Advantages to using the MLRA based map for regions include the following:

- The MLRA based land descriptions and the data derived from the NW Farm Credit Services Market Studies land type definitions are both based on the underlying productivity of the soils.
- Basing GARC value on inherent soils classifications and current land use will provide a technical clarity to the GARC determination process.
- Oregon has developed a GIS layer of the MLRA based Geo Cap Regions and corresponding GARCs to assist the designated conservationist with providing accurate and timely information to the client.

The Market Survey data is compiled by Northwest Farm Credit Services' (NWFCS) appraisers who specialize in agricultural and rural properties. Their appraisals are based on a current pool of all available market data on rural properties sales. The NWFCS synthesize the market survey data per land descriptions in each county for a high and low market value.

To arrive at the rate cap, an independent appraisal firm hired by NRCS analyzed the Warranty Easement Deed (WED) to determine the value of the bundle of rights that strip away the income producing rights of the land such as development, farming/tilling, and grazing. The soil productivity is inherently related to the relative value of the WED. The general rule is that soils with higher productivity have greater WED values as a percentage of the fee-value, so there is a sliding scale of WED discount rates from high productivity soils down to low productivity/brush lands.

Due to limitations of contracting rules such as the length of time for advertising, Oregon limited the Scope of Work to include the highest enrollment areas only. The two areas we contracted for Fiscal Year 2012 GARCs are Region B, the Willamette Valley Synthesis Area and Region D, the Southern Oregon North Eastern California (SONEC). The Region B and Region D have the highest enrollment rate historically, significant wetland restoration potential, partner contributions, and rank higher for potential benefits to migratory waterfowl.

The GARCs for Region B and D analysis is presented in the attached report performed by independent real estate appraisals and is based on data from the NW Farm Credit Services market analysis and extensive research into Warranty Easement values with market place participants.

The intent is to further the in depth market analysis to the remaining 6 regions for FY 2013 GARCs. In the interim, Oregon proposes to use Geo Cap Regions used in FY 2011 for easement compensations outside of the Region B and D areas. Based on the market studies performed by appraisers the market trend is steady and does not reflect the need for adjusting the GARC in the remaining Geo Cap Regions.

The GARC recommendation for the remaining regions is based on data from the USDA National Agricultural Statistics Service (NASS) Land Value, Cash Rents 2010 Summary (Aug 09) and a NW Farm Credit Services market analysis of fee simple valuations for nine regions in Oregon. All GARCs are less than the market analysis valuation.

The GARCs are adjusted to be lower than the information provided in the fee simple valuations in the Market Analysis supplied by Northwest Farm Credit Services dated June and July 2011, which is the most recent data available at the time. The NW Farm Credit Services analyze data and develop current market studies of agricultural land in Oregon counties. These studies provide the basis for the GARCs. Values were selected for the respective land descriptions in the counties where easements are most commonly active, with the eligible land uses and soils.

Sincerely,

LOREN UNRUH
Programs Leader
NRCS Oregon State