



Natural Resources Conservation Service
316 W. Boone Ave. Suite 450
Spokane WA 99201-2348

phone 509-323-2900
fax 509-323-2909
web site www.wa.nrcs.usda.gov

October 19, 2012

Subject: LTP-Easement Compensation Procedure for FY2013 Grassland Reserve Program (GRP) Agreements

TO: Washington State Technical Advisory Committee

NRCS must ensure that GRP easement compensation does not exceed the fair market value of the land less the grazing value of the land encumbered by the GRP conservation easement. Each fiscal year, the State Conservationist, in consultation with the State Technical Advisory Committee (STAC), establishes a process to determine GRP easement compensation values for easements that will be held by the United States. Further, NRCS must compensate landowners by whichever of the following mechanisms yields the lowest rate:

- (1) The fair market value of the land. The fair market value (FMV) can be determined through either of two methods: an area wide market analysis (AWMA) or an individual Uniform Standards for Professional Appraisal Practice (USPAP) appraisal.
- (2) The geographic area rate cap (GARC). The GARC reflects the value the State Conservationist, with the advice of the State Technical Committee, determines to be fair compensation for the value of the easement.
- (3) A voluntary written offer by the landowner.

- *For fiscal year 2013 NRCS Washington is proposing to utilize individual USPAP appraisals to determine the Fair Market Value (FMV) of encumbered lands.*

This option is being chosen due to the historically low number of GRP applications in the state (less than 5 per year). USPAP appraisals may be used to determine fair market value of encumbered grasslands instead of the AWMA. The statement of work for individual appraisals will specify that the FMV will be for encumbered lands.

- *For fiscal year 2013 NRCS Washington is proposing to set the GARC at 50% of the individual appraisal value.*

By NRCS policy, the GARC must be less than the FMV to reflect the retained value of grazing rights on the GRP easement. The GARC is established using a reduction of the retained grazing value from the individual USPAP appraisal for encumbered lands. Based on past precedent in Washington, and in comparison with Oregon's FY2013 GRP GARC, the proposed value is deemed to be reasonable (Idaho's 2013 values are unavailable at this time). In addition, the retained grazing value will likely allow about one-half of the historic grazing levels. This is due to the stringent requirements of the NRCS grazing management plan that will be put in place. The national average for GRP easements nationwide is also roughly 50% of the FMV. These factors, considered together, justify the GARC of 50% of the FMV for encumbered lands.