October 23, 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 unencumbered 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 unencumbered grasslands instead of the AWMA. The statement of work for individual appraisals will specify that the FMV will be for unencumbered lands.

* ***For fiscal year 2013 NRCS Washington is proposing to set the GRP GARC at 52% of the individual appraisal value, not to exceed $5,000 per acre.***

***Rationale:*** By NRCS policy, a GARC should be established to ensure that the final GRP easement compensation is less than the FMV of the land, less the retained grazing value of the land. A method must be chosen to establish the grazing value of the land. WA-NRCS will utilize 2012 land values as reported by the National Agricultural Statistics Service (NASS) for Washington State.

Looking at 2012 data from NASS, pasture land values in Washington State are approximately 35.2 % of overall farmland values (includes cropland and pasture value, buildings and improvements). One could conclude that the grazing value of pasture land represents roughly one-third, or in this case 35.2%, of the fair market value (FMV) of unencumbered lands typically enrolled in the GRP. Therefore, the encumbered FMV of the

land enrolled in GRP would be approximately 64.8% of the appraised value (appraised value less the retained grazing value = encumbered value).

Under *WRP* the FY2013 GARC value is 80% of the FMV (derived from an AWMA). The 80% value recognizes that most of the non-grazing land use rights will be acquired in the easement, but not all. The landowner retains fee title to the land and the right to compatible recreational uses and quiet enjoyment. Using that same 80% GARC value, the GRP easement compensation would be 80% of the encumbered FMV (64.8% of unencumbered value) for a calculated factor of 51.84%.of the appraised FMV. We can round this up to 52% for the GARC for easement compensation

Based on past GARC values in Washington, and in comparison with Oregon’s FY2013 GRP GARC, the proposed GARC value is deemed to be reasonable (Idaho’s 2013 values are unavailable at this time).