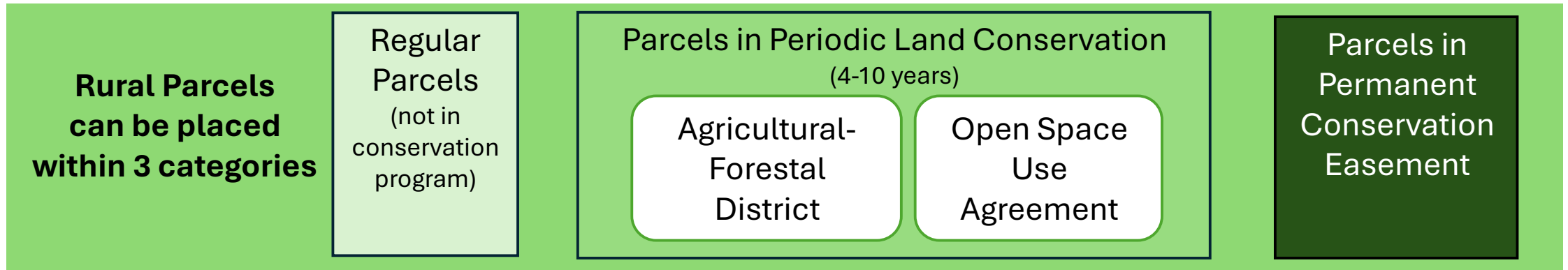




Aspects of Conservation and Effects on
Taxation

Conservation Programs

Conservation Categories for Rural Parcels



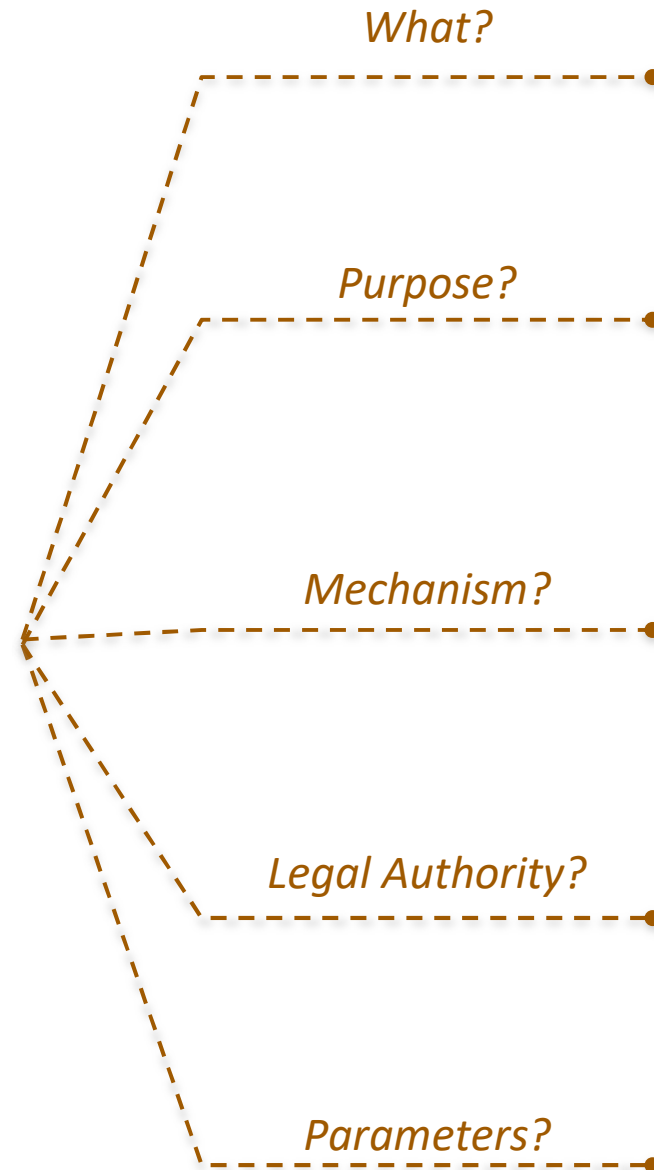
Restrictions of Conservation Categories

Agricultural-Forestal Districts only restrict **small lot** development rights

Open Space Use Agreements restrict all development by are **temporary**

Conservation Easements generally restrict **all development** and are **permanent**

Conservation Easements Explained



Voluntary, **permanent legal agreement** between a **landowner** and an **easement-holding organization**

Protects **rural/open-space land** and/ or **natural or historic resources** by:

- Limiting subdivision + development
- Requiring protection of specific resources

Easement-holder either accepts **donation** or **purchases the development right (PDR)** and **enforces** the terms of the easement

Enabled by **Virginia state laws**

- Open Space Land Act
- Virginia Conservation Easement Act

Must be in compliance with local comprehensive plan

Easement Example

- Also considered:
- Floodplains
 - Critical slopes
 - Historic sites
 - Mountain Protection Areas
 - Adjacency to other easements

No build setback

Scenic Virginia Byway

CARTH RD

Potential for 15 dwellings

Limit number and size of dwellings

Watershed of South Fork Rivanna Reservoir

Riparian buffers

Forest protection area

High priority habitat identified in Biodiversity Action Plan

MECHUMS RIVER



0 1,000 2,000 Feet

Scale of Easement Programs within Albemarle

Easement Holder	Number	Parcels	Acres
Virginia Outdoors Foundation	324	760	68,928
Albemarle Conservation Easement Authority	210	542	31,528
The Nature Conservancy	26	85	6,559
Virginia Dept. of Forestry	11	19	1,290
Land Trust of Virginia	10	10	1,632
Piedmont Environmental Council	10	7	942
Virginia Dept. of Historic Resources	6	18	776
Ever Green Team	4	20	720
Thomas Jefferson Soil & Water Conservation District	1	19	137
Virginia Dept. of Conservation and Recreation	1	1	95
Total	603	1,481	109,341

Key Facts:

- Easement holders can be either
 1. the County or
 2. other non-profits or
 3. state agencies
- Most easements in Albemarle have been donated
- Only 9,263 acres have been purchased – all of these through ACE program
- 25% of Albemarle’s Rural Area is under easement

Albemarle Conservation Easement Authority (ACEA) vs. Acquisition of Conservation Easement (ACE) Program

	ACEA	ACE
Purpose?	A County established easement holder accepting donated easements or easements purchased via the ACE Program. It is responsible for the long-term stewardship of these easements	A County managed Purchase of Development Rights (PDR) program geared towards lower income landowners who typically cannot take advantage of tax right offs associate with easement donations
Founded?	1989	2000
Funding?	Funded by the Virginia Land Conservation Fund	Funded by Albemarle County General Fund
Manages?	BOS appoints Authority Members to govern program	BOS appoints ACE Committee, but final decision to purchase easements is with the BOS
Scale of Program?	210 Easements (including the 52 ACE Easements) On 542 Parcels Totaling 31,528 Acres	52 Easements On 113 Parcels Totaling 9,623 Acres
Interesting Facts?	<ul style="list-style-type: none"> • Works with other easement holders to provide reciprocal support 	<ul style="list-style-type: none"> • About 70% of properties still in same family • 80.8% of participants were in the lowest two income brackets (under \$65,000). • Leveraged over \$2 million in state grants to reduced County purchase costs

How Do Conservation Easements Affect Local Policies?

Support Comp Plan Goals by:

- Protecting public water supply
- Maintaining our agricultural and forestal economy
- Protecting scenic landscapes for tourism and historic preservation
- Limits scattered development, thus reduces demands for services and addition infrastructure costs
- Maintaining rural landcover for climate benefits (resiliency, carbon sequestration, biodiversity)

Effect on County Finances:

- Permanently reduces assessed property value/ capacity to generate tax revenue and therefore less tax revenue to the County
- Increases state contributions for schools in comparison to if the property was in land use taxation
 - Local Composite Index (LCI)

Tax Qualifications for Rural Parcels

Rural Parcels can be placed within 3 categories

Regular Parcels
(not in conservation program)

Parcels in Periodic Land Conservation
(4-10 years)

Agricultural-Forestal District

Open Space Use Agreement

Parcels in Permanent Conservation Easement

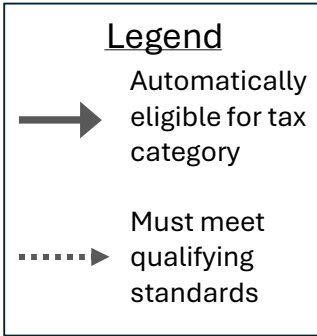
Eligibility Qualifications Standards

Do not apply OR Meets No Applicable Standard

Qualifies as a Farm or Plant Nursery & minimum of 5 acres

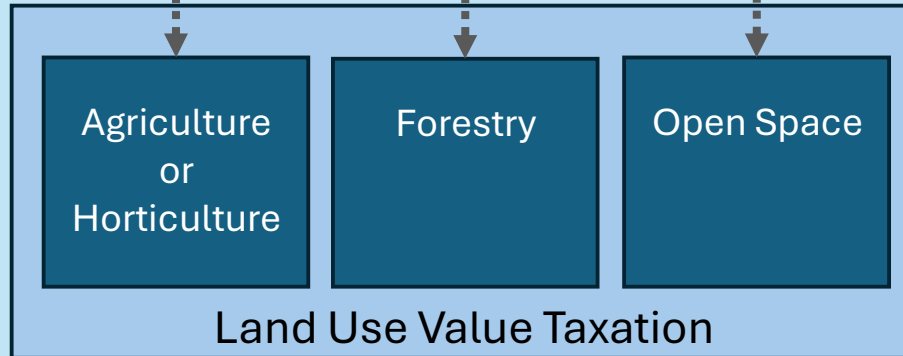
Qualifies with a Forestry Plan & minimum 20 acres

Minimum 20 Acres of Open-space



Taxation Categories

Regular Taxation



Easement Value

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Parcels in Permanent Conservation Easement

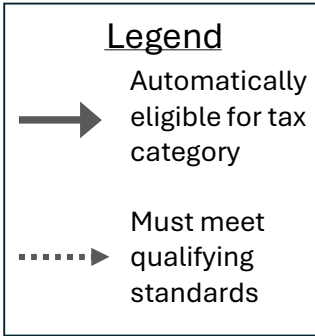
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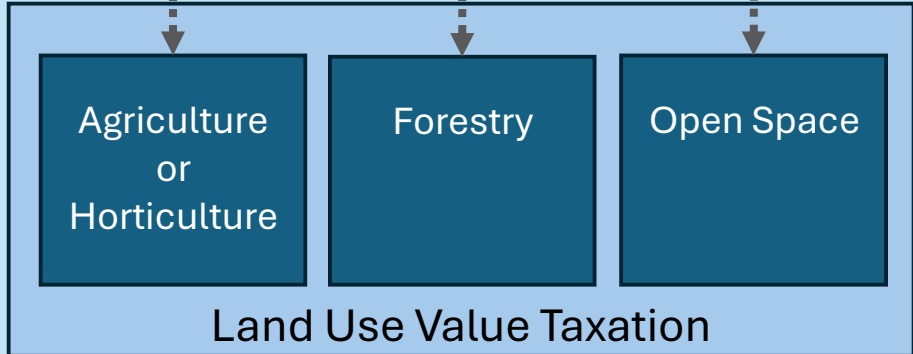
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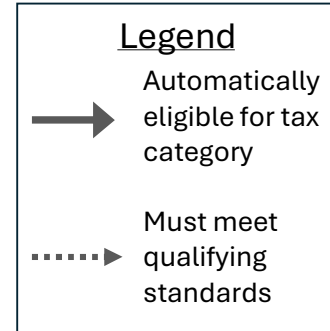
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Minimum 20 Acres of Open-space



Taxation Categories

Regular Taxation

Agriculture or Horticulture

Forestry

Open Space

Easement Value

Land Use Value Taxation

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Eligibility Qualifications Standards

Do not apply OR Meets No Applicable Standard

Qualifies as a Farm or Plant Nursery & minimum of 5 acres

Qualifies with a Forestry Plan & minimum 20 acres

Minimum 20 Acres of Open-space

Legend

→ Automatically eligible for tax category

⋯→ Must meet qualifying standards

Taxation Categories

Regular Taxation

Agriculture or Horticulture Forestry Open Space

Land Use Value Taxation

Easement Value

Land Use Tax Program vs. Conservation Easements

	Land-Use Taxation	Conservation Easements
What are the differences?	State enables local government to establish a program based upon a set of criteria to reduce property tax burden to promote agricultural, horticultural, forestry, or open space uses protection	A state enabled conservation option where landowners voluntarily donate <u>or</u> sell to an established easement holder <ol style="list-style-type: none"> 1. the right to further subdivide their property or 2. otherwise restrict uses on their property to advance a natural or historic resource protection goal
Duration?	Temporary	Permanent
How Does It Work?	County Assessor confirms the qualifications during revalidation	Easement holder enforces restrictions

Example Parcel – Effect of Tax Programs on Value

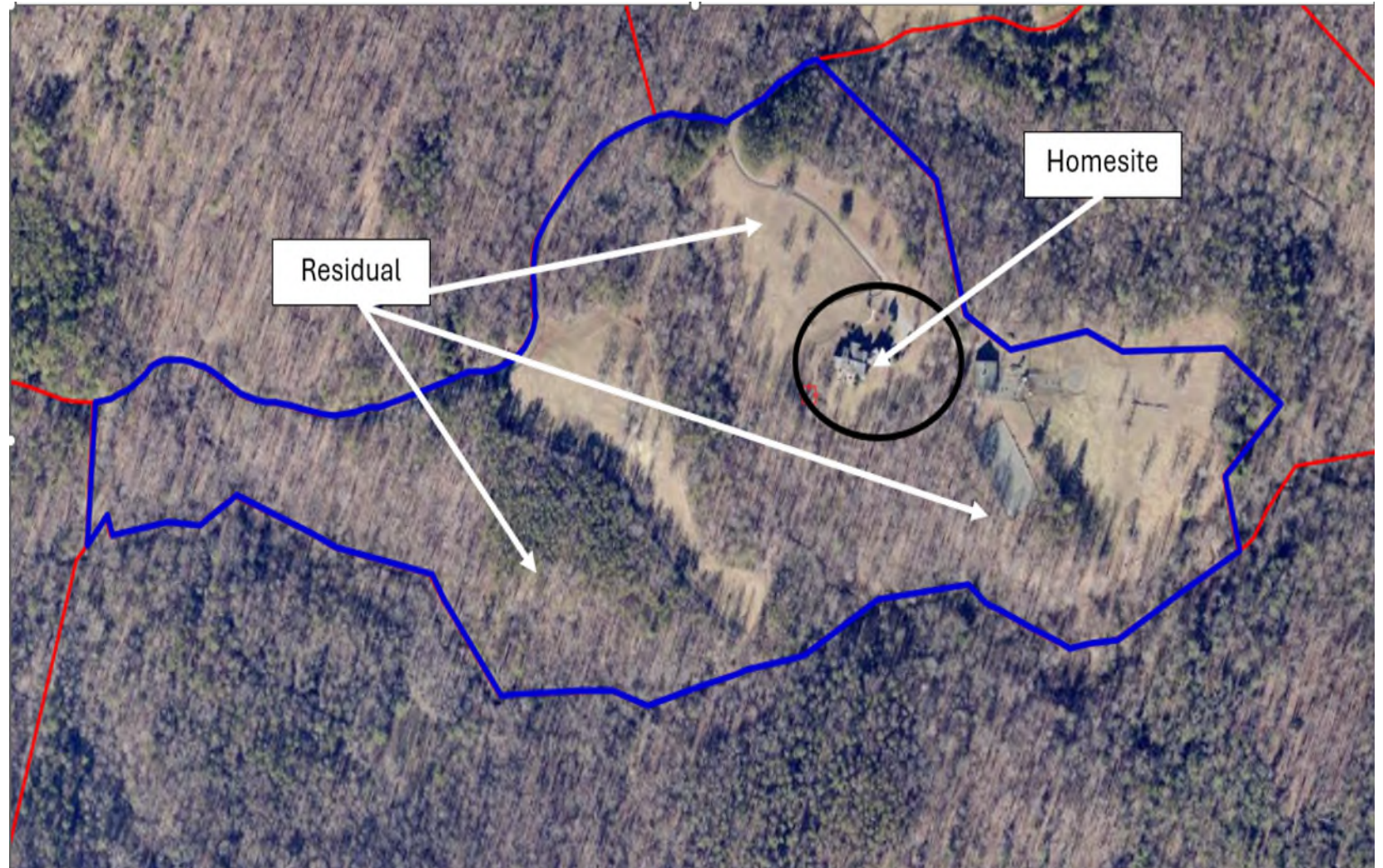
- Parcel contains:
 - 35 total acres
 - Home and 2-acre homesite
 - Active agricultural and forestal uses on 33 acres.
- Parcel retains 5 small lot development rights
 - owner could subdivide to create 4 additional parcels as small as 2 acres each (in addition to existing home).
 - no by right 21-acre parcels could be created based on the size of the parcel.

Example Parcel Hypothetical Rates

- Market
 - Homesite = \$100,000 total (2 acres)
 - Residual = 33 acres at \$15,000 per acre
- Land Use
 - Agricultural D = 10 acres at \$300 per acre
 - Forestal B = 23 acres at \$504 per acre

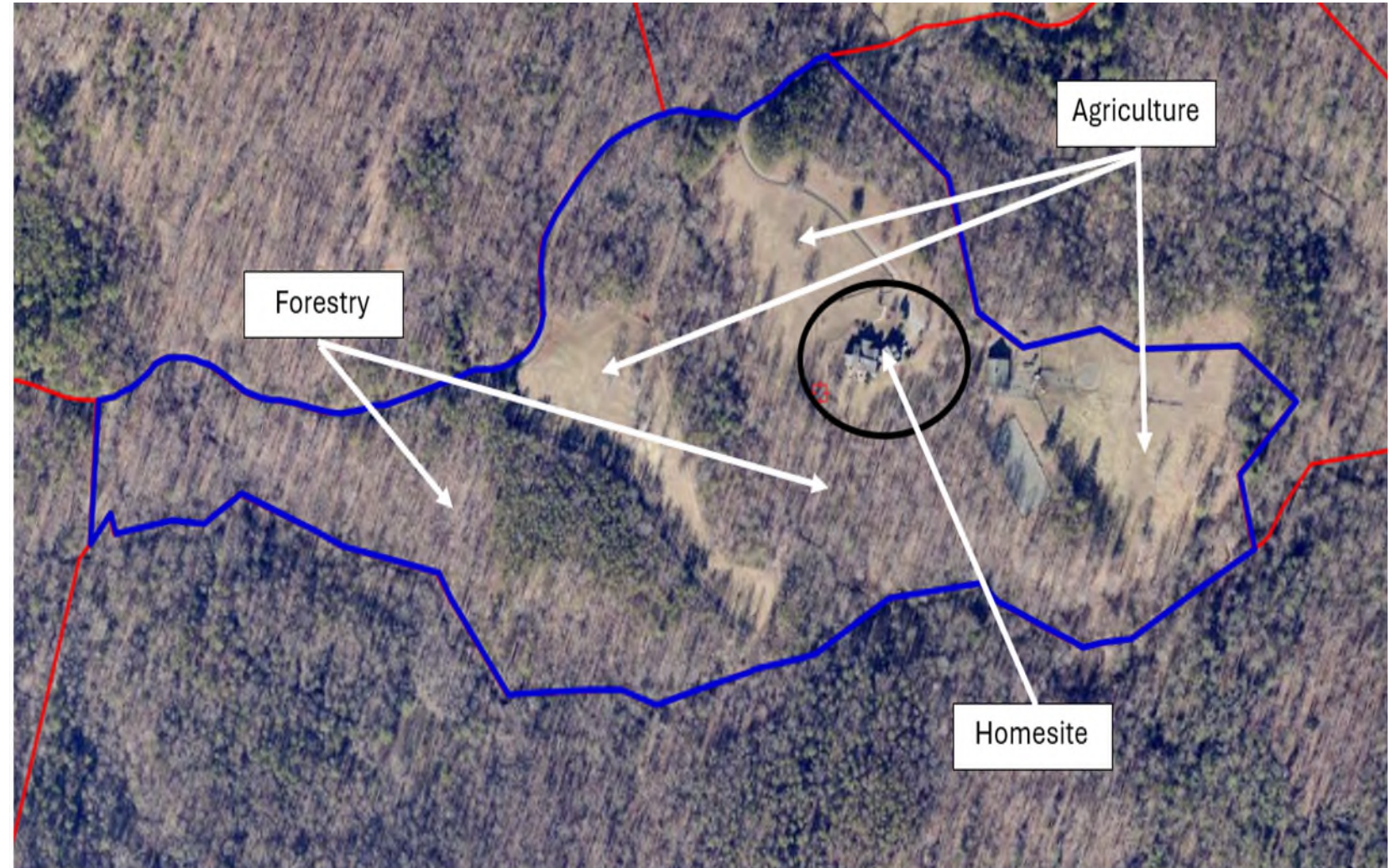
Market Land Value

- 2-acre homesite (\$100,000)
- 33 acres of residual land (33 x \$15,000 = \$495,000)
- Total Market Land Value = **\$595,000**
- Annual taxes of \$5,081
- True Tax Value to State for Local Composite Index (LCI) = **\$595,000**



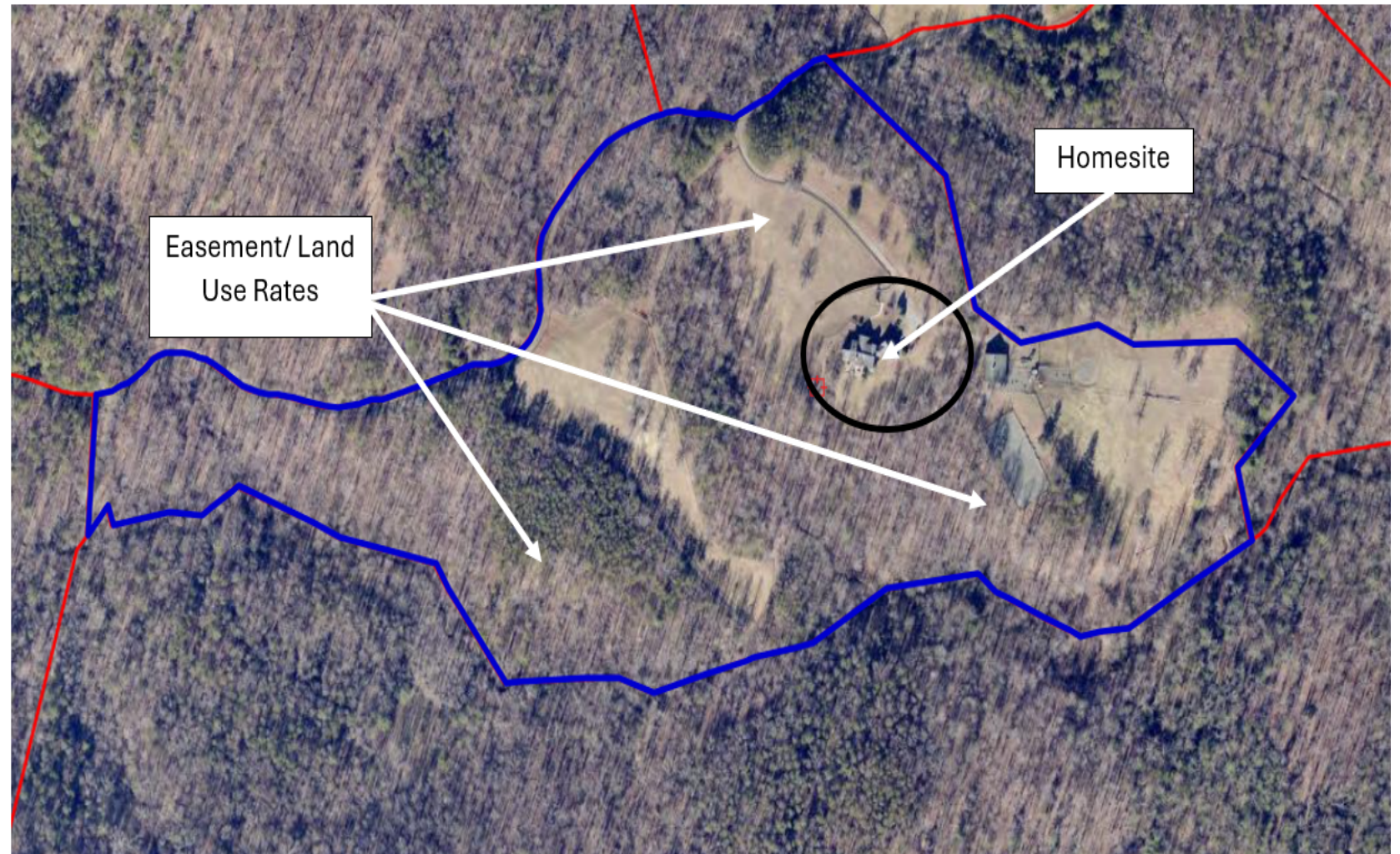
Land Use Land Value

- 2-acre homesite (\$100,000)
- Ag (10 x \$300) + Forestry (23 x \$504) = \$14,600(r)
- Total Land Use Value = **\$114,600**
- Annual taxes of \$979
- True Tax Value to State for LCI = **\$595,000**



Conservation Easement Value

- 2-acre homesite (\$100,000)
- 33 acres of Open Space (10 x \$300) + (23 x \$504) = \$14,600(r)
- Total Land Use Value = **\$114,600**
- Annual taxes of \$979
- True Tax Value to State for LCI = **\$114,600**



Summary of Impacts

	Market Value	Land Use	Conservation Easement
Estimated Taxes	\$5,081	\$979	\$979
True Tax Value	\$595,000	\$595,000	\$114,600
LCI Impact	Negative	Negative	Positive

Questions?

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Taxation Categories

Regular Taxation

Agriculture or Horticulture Forestry Open Space

Land Use Value Taxation

Easement Value

Local Composite Index

- Determines a school division's ability to pay costs associated with State's Standards of Quality (SOQ)
- Three capacity indicators
 - True value of real property (50%)
 - Adjusted gross income (40%)
 - Taxable retail sales (10%)
- Capacity indicators divided by ADM and population
 - Average daily membership (66.6%)
 - Population (33.3%)
- Adjusted to maintain an overall statewide local share (45%) and state share (55%)

Local Composite Index

COMPOSITE INDEX OF LOCAL ABILITY-TO-PAY FORMULA

Average Daily Membership (ADM) Component =

$$.5 \left[\frac{\text{Local True Values}}{\text{Division ADM}} \right] + .4 \left[\frac{\text{Local Adjusted Gross Income}}{\text{Division ADM}} \right] + .1 \left[\frac{\text{Local Taxable Retail Sales}}{\text{Division ADM}} \right]$$

$$\left[\frac{\text{State True Values}}{\text{State ADM}} \right] + \left[\frac{\text{State Adjusted Gross Income}}{\text{State ADM}} \right] + \left[\frac{\text{State Taxable Retail Sales}}{\text{State ADM}} \right]$$

Population Component =

$$.5 \left[\frac{\text{Local True Values}}{\text{Local Population}} \right] + .4 \left[\frac{\text{Local Adjusted Gross Income}}{\text{Local Population}} \right] + .1 \left[\frac{\text{Local Taxable Retail Sales}}{\text{Local Population}} \right]$$

$$\left[\frac{\text{State True Values}}{\text{State Population}} \right] + \left[\frac{\text{State Adjusted Gross Income}}{\text{State Population}} \right] + \left[\frac{\text{State Taxable Retail Sales}}{\text{State Population}} \right]$$

Final Composite Index =

$$((.6667 \times \text{ADM Component}) + (.3333 \times \text{Population Component})) \times 0.45$$