From: Bill Becker

Cc: Steven J. Taff; Sandy Smith; Heather Koop

Subject: FW: clarification on Taff remarks to LSOHC

Date: Thursday, August 07, 2014 11:32:54 AM

Please read this extension of remarks by Steve Taff

-----Original Message-----
From: Steve Taff [mailto:steve.taff@gmail.com] On Behalf Of Steven J. Taff
Sent: Wednesday, August 06, 2014 12:09 PM
To: Bill Becker
Cc: Bill Penning; Sarah (BWSR) Strommen; Mike Kilgore
Subject: clarification on Taff remarks to LSOHC

Hi Bill,

Thanks for inviting me to talk with the Council about Minnesota land value dynamics yesterday. Unfortunately, I think I was a bit unclear in my response to the question David Hartwell asked at the end. I'll take the liberty to extend my remarks here.

David asked about the relationship between state payments for conservation easements and the "revealed" easement values in our recent property tax assessment study. In my too-quick response, I obscured an important message. Basically, we should compare the state's per-acre payment to the per-acre reduction in eased acres' values, not to the reduction in the value of parcel as a whole.

An example will make this clear. Say the whole parcel is three acres, where each acre is valued at $1,000. The state pays 90% of that per-acre value for an easement on one acre, or $900. The owner still has three acres, but one of the acres is now restricted by an easement.

Now say the owner sells all three acres for $2,200—a whole-property reduction of $800, or about 27%. But this reduction is made up of an unchanged $1,000 for each of the two non-eased acres plus an $800 reduction in the value of the eased acre. That $800 (80% of the original value for that acre) is the revealed easement value.

In this example, the state paid $900 for the easement and the market "priced" that easement at $800. The easement coverage (percent of the parcel that is eased) is 33%, and the value reduction for the whole parcel is 27%, but the value reduction arrayed just against the eased acre is 80%. If we want to compare what the state paid with what the market says, it is this latter comparison that is proper for us to make—a critical point that I regret not making more clearly in my remarks.

Please pass these comments on, as appropriate.

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