

LEGISLATIVE-CITIZEN COMMISSION ON MINNESOTA RESOURCES
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Susan Thornton, Director

December 1, 2014

David Hartwell
Chair
Lessard-Sams Outdoor Heritage Council (LSOHC)
100 Rev. Dr. Martin Luther King Jr. Blvd.
Room 95 State Office Building
St. Paul, MN 55155

Dear Chair Hartwell,

At the LCCMR meeting of November 19, 2014 the LCCMR received overviews from the Office of the Legislative Auditor, the University of Minnesota and the DNR about the process and use of public funds for conservation easements as a tool.

After presentation and discussion by Dr. Steve Taff and Dr. Mike Kilgore, University of Minnesota, on valuation of the costs and benefits of conservation easements, LCCMR members concluded that it would be important to provide funding for further work on this issue.

A recommendation of \$250,000 was approved by the LCCMR from the Environment and Natural Resources Trust Fund (ENRTF) to be placed in the ML 2015 funding recommending legislation. Members concluded that if they were going to continue to recommend conservation easements as a conservation tool that it was an important investment. This funding represents approximately 5% of the ML 2015 ENRTF recommendations for conservation easement initiatives (\$5.0 million).

The appropriation would be to assess the effectiveness of existing conservation easements acquired with state expenditures at achieving their intended public and ecological benefits and to develop a standardized, objective conservation easement valuation system for guiding future state investments in conservation easements.

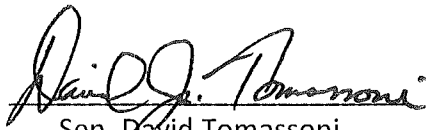
The outcome of such an initiative would provide an estimate of the public benefits associated with easements already purchased compared to the public costs. Using this information, a standardized easement valuation program would be developed to quantify such benefits related to costs to assist in future decisions and rankings when conservation easements are purchased in the future.

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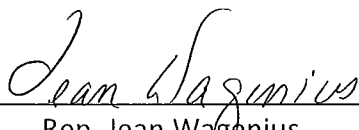
As part of the motion on November 19, the LCCMR is requesting that the LSOHC join in the funding of this evaluation and analysis due to the large investments into this conservation tool from the Outdoor Heritage Fund. LCCMR staff were requested to contact the LSOHC about this initiative and request consideration of this partnership funding of an equal match.

Attached is draft appropriation language being used for the ML 2015 ENRTF recommendation. Please do not hesitate to contact me if you wish additional information. I look forward to hearing from you.

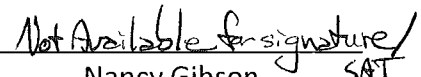
Regards,



Sen. David Tomassoni
Co-Chair, LCCMR



Rep. Jean Wagenius
Co-Chair, LCCMR



Nancy Gibson
Co-Chair, LCCMR

SAT

cc: Mark Johnson, Executive Director, LSOHC

k) Conservation Easement Assessment and Valuation System Development

\$250,000 the first year is from the trust fund to the Board of Regents of the University of Minnesota to assess the effectiveness of existing conservation easements acquired through state expenditures at achieving their intended outcomes of public value and ecological benefits and to develop a standardized, objective conservation easement valuation system for guiding future state investments in conservation easements in order to ensure the proposed environmental benefits are being achieved in a cost effective manner. This appropriation is available until June 30, 2018, by which time the project must be completed and final products delivered.

Economic aspects of conservation easements

Steven J. Taff and Mike Kilgore
Departments of Applied Economics and Forest Resources
University of Minnesota

Legislative-Citizen Commission on Minnesota Resources
November 19, 2014

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New UM conservation easement study

1. Documented county property tax assessment policies & practices for forest and agricultural lands with permanent conservation easements (PCE).
2. Estimated average land market price effect on agricultural lands with permanent conservation easements.

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Easement programs are not uniform

1. Different rights
2. Different valuation approaches (average vs. appraisal)
3. Different tax implications
4. Different purchase prices

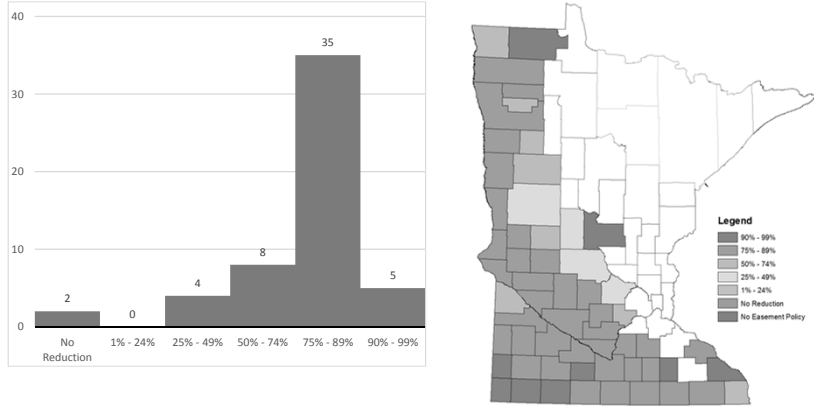
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General characteristics of PCEs by land use type

Attribute	Agricultural Land	Forest Land
<i>Rights Acquired</i>		
<i>Development</i>	<i>Yes</i>	<i>Yes</i>
<i>Subdivision</i>	<i>Not Often</i>	<i>Yes</i>
<i>Cropping</i>	<i>Yes</i>	<i>No</i>
<i>Recreational Access</i>	<i>No</i>	<i>Yes (larger tracts)</i>
<i>Land Use Change</i>	<i>Yes</i>	<i>No</i>
<i>Parcel Coverage</i>	<i>Typically Fractional</i>	<i>Whole</i>
<i>Number of Parcels Involved</i>	<i>Usually One</i>	<i>Many</i>

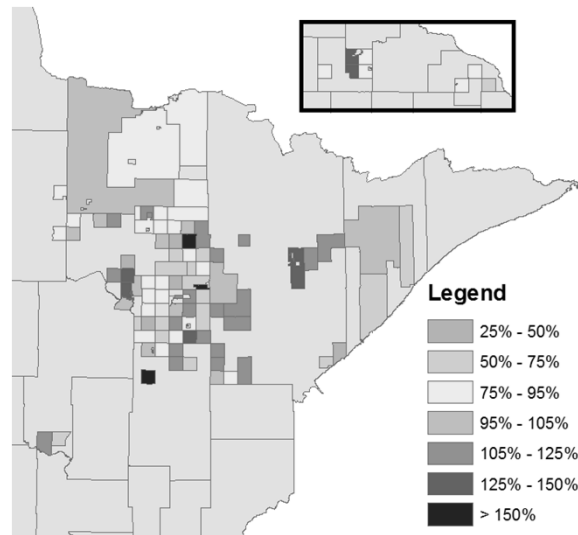
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Counties' stated easement practices: Value of PCE land compared to tillable land



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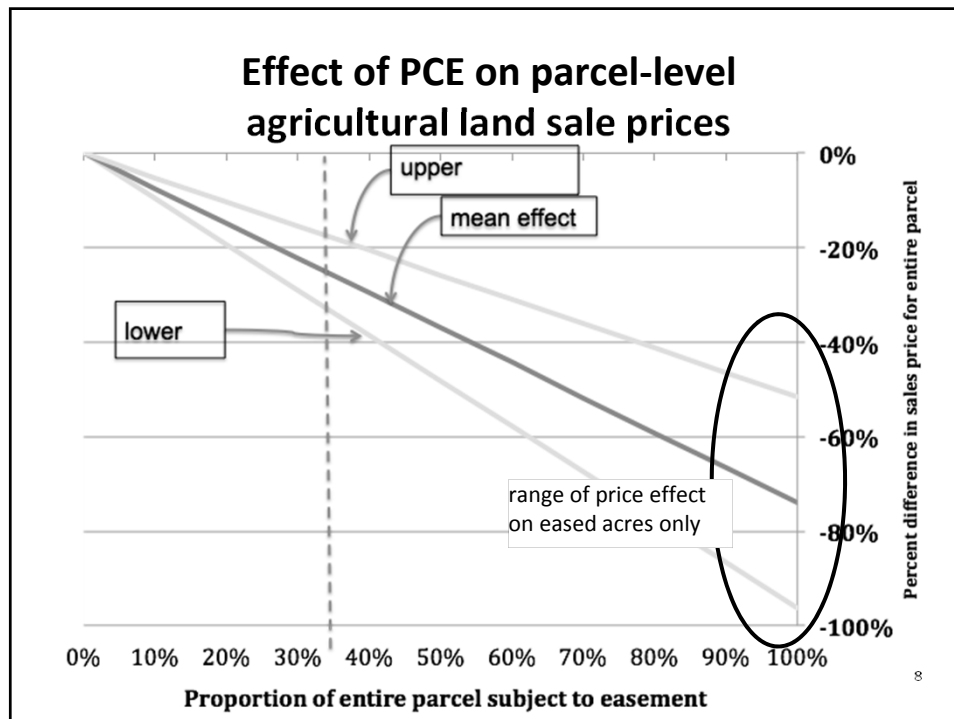
Counties' valuation practices: Forest land conservation easements



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Counties' stated practice for assessing PCE lands

Eased Property Valuation Method	Reporting Counties
Specific dollar value or range of values	53
Percent of noneased land value	5
Case-by-case basis	4
No reduction in value after easement is conveyed	9
Insufficient information provided	16
TOTAL	87



Costs and Benefits of Conservation Easements

1. What do conservation easements cost?

1. Easement purchase
2. Long-term management/oversight expenditures
3. Potential reduction in local property tax base

2. What benefits do easements provide?

1. Land use control (e.g., development, parcelization)
2. Improved environmental services (e.g., water quality)
3. Increased wildlife habitat
4. Public recreation access (for some forest easements)

3. Buyers of easement lands are getting private (not public) benefits

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The full economic value chain

1. Spending by state to purchase an easement...
2. ...which results in a desired land use change or prevents an undesirable land use change...
3. ...which brings about an increase in public services...
4. ...which ends in a measured increase in public well-being.

The full economic value is the NET of 1 and 4

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Public benefit scoring practices in Minnesota

1. Scoring systems already in use – different systems used for different programs
2. Hard to do effectively – somewhat subjective
3. Not well funded in most cases
4. Politically awkward

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An ideal easement valuation program

1. Systematic, objective, and transparent
 1. Quantifying public benefits (e.g., scoring)
 2. Choose highest benefits per \$ spent
 3. Tracking actual changes in benefits over time
2. Used by all agencies; not just studied

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Where should the State go from here?

1. Estimate the public benefits associated with easements already purchased.
2. Use this information to develop a standardized easement valuation program.