

Farmland Loss and Agricultural Conservation Easements

Evan Davis – Farmland Preservation Director
evan.davis@ncagr.gov – 919-707-3072

North Carolina Department of Agriculture and Consumer Services

Farmland Preservation Division

Steve Troxler, Commissioner



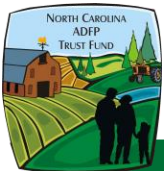
North Carolina is the Second-Most Threatened State for Farmland Loss

- American Farmland Trust 2020 Report Key Findings
 - 732,000 Acres of Agricultural Land in North Carolina Converted from 2001 to 2016
 - 78 percent of converted agricultural land went to low-density residential land uses.
 - This means that 571,700 acres of farmland were changed to scattered, large-lot housing developments, the highest conversion rate percentage in the United States.
 - 387,500 acres of Nationally Significant Land were converted to non-ag land uses.

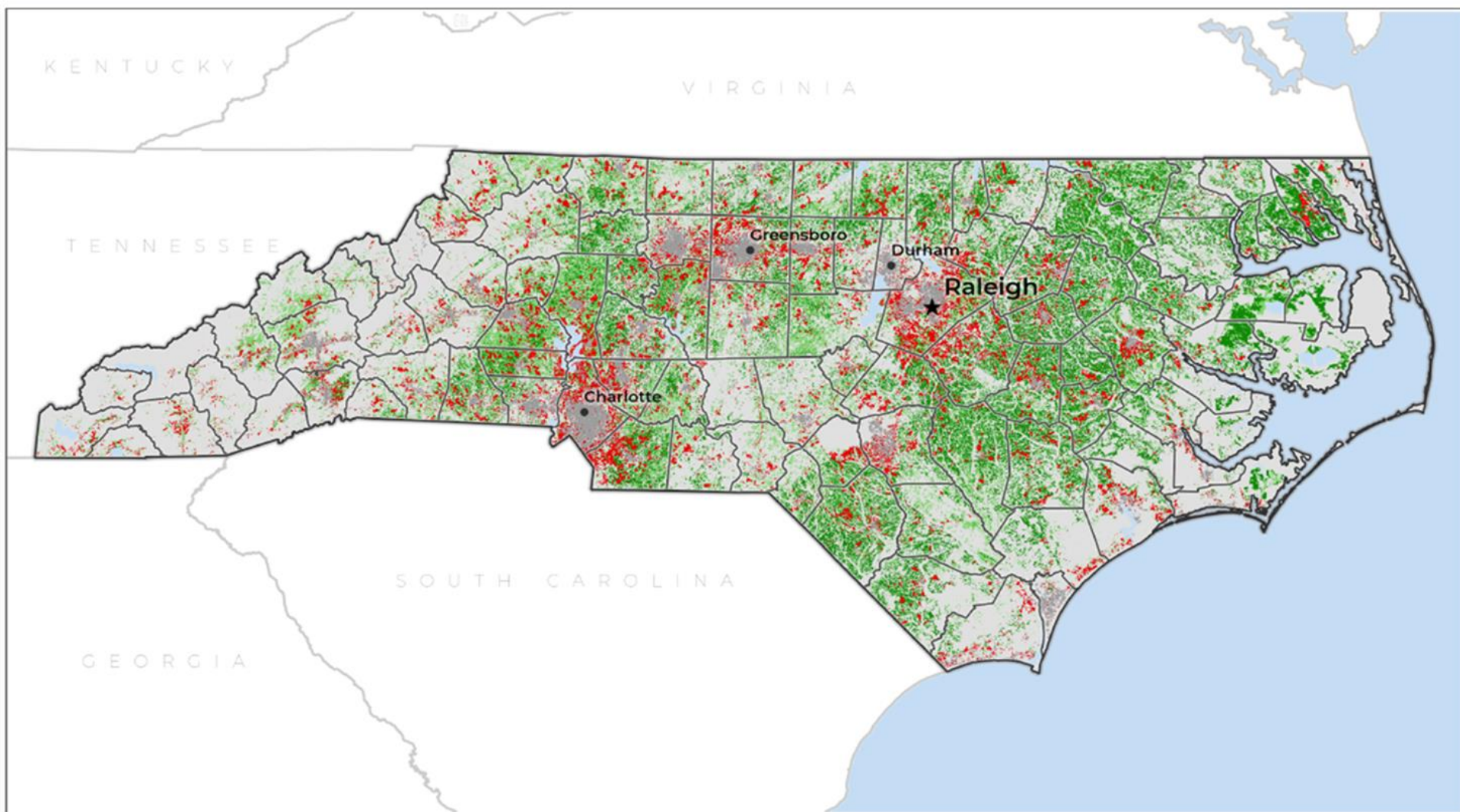


What is Low-Density Residential Development?

- Traditional subdivisions that expand into active agricultural areas
 - Individual houses and housing clusters along suburban fringe and rural roads
- Large-lot housing
 - 2-5 acres near cities
 - 10-40 acres in suburban and rural areas







AGRICULTURAL LAND CONVERSION 2001-2016



Conversion of non-federal farmland to UHD and LDR land uses from 2001-2016. The threat to working farms and ranches is pervasive, often claiming the most productive, versatile, and resilient lands.

 Conversion of agricultural land to UHD and LDR land uses

Farmland* that is:
Above state median PVR** 
Below state median PVR 

 Urban areas
 Federal, forest, and other lands

*Farmland is composed of cropland, pastureland, and woodland associated with farms.
**Our productivity, versatility, and resiliency (PVR) index helps identify high-quality agricultural land (see page 2).

Farmland Loss Projections by 2040

- American Farmland Trust 2022 Report Key Findings
- In this report, North Carolina ranks second in the nation in potential agricultural land lost in each of the three models.
- The models show the acres projected to be converted in North Carolina by 2040:
 - Business as usual: 1,197,300 acres
 - Runaway sprawl: 1,678,100 acres
 - Better built cities: 661,500 acres

Farmland Loss Projections by 2040

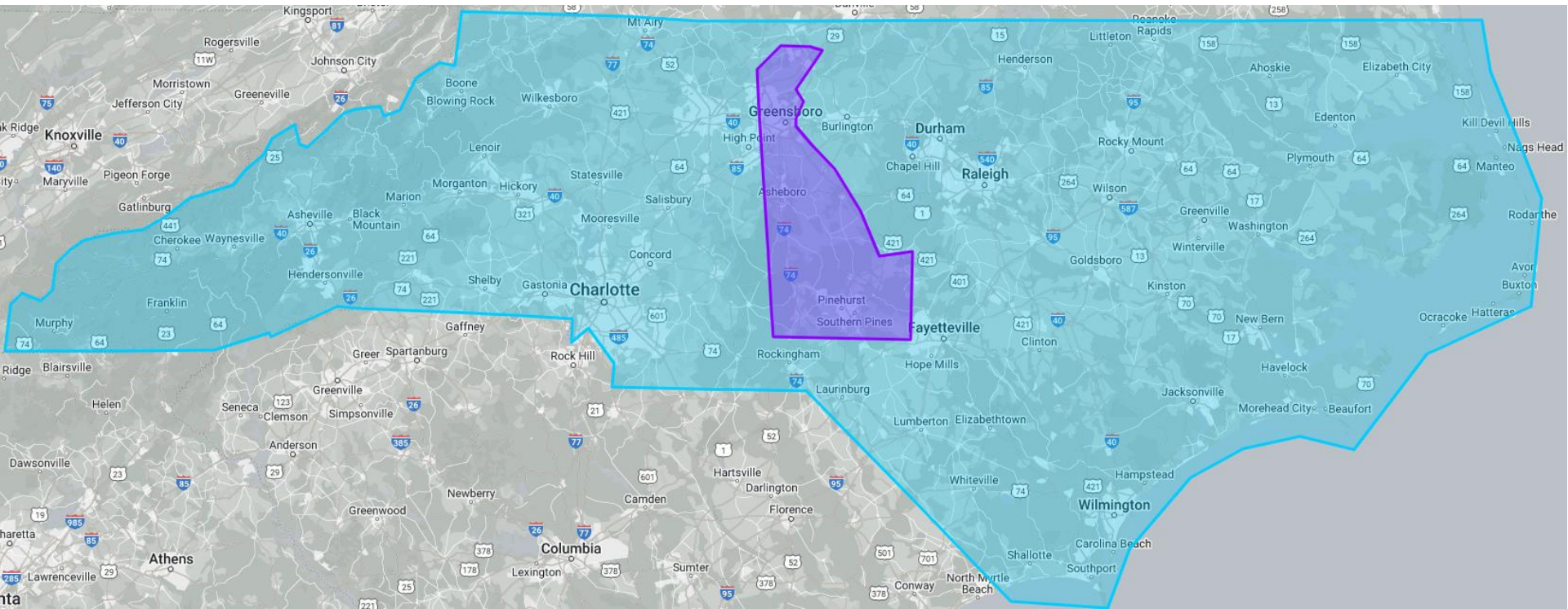
- Four North Carolina counties rank in the top 40 of all the counties in the United States in projected acres to be converted by 2040:
 - Johnston: 19th
 - Union: 23rd
 - Wake: 32nd
 - Iredell: 38th
- North Carolina ranks sixth in the nation in the percentage of agricultural land projected to be converted by 2040.
 - North Carolina is the highest-ranked state that is not located in New England or the mid-Atlantic.

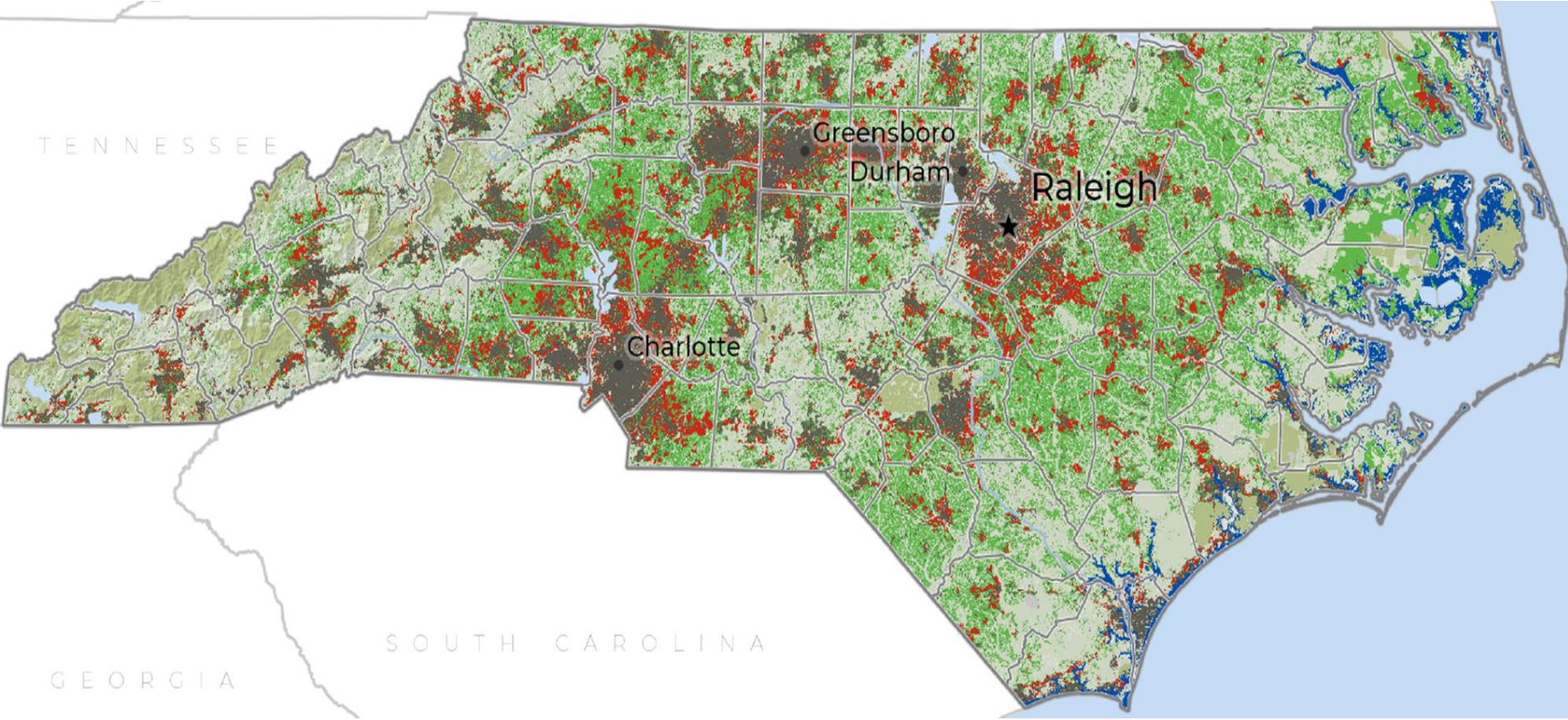


Farmland Loss Projections by 2040

- Economic Impact of the loss of 1.1 million acres:
 - 9,100 farms lost
 - \$1.25 billion reduction in farm output
 - 19,600 jobs lost
- The Runaway Sprawl model projects 1,678,100 acres lost.
 - Total Size of the State of Delaware: 1,592,871 acres







Projected agricultural land conversion from 2016-2040 in the *Business as Usual* scenario.

Projected Conversion and Flooding (2040)

- Urban and highly developed (UHD) and low-density residential (LDR)
- Coastal flooding

Land Cover (2016)

- | | | |
|---|---|---|
| ■ Farmland* | ■ Federal (no grazing) | ■ Urban areas |
| ■ Forestland | ■ Other lands | ■ Water |

**Farmland is composed of cropland, pastureland, and woodland associated with farms.*

Mission

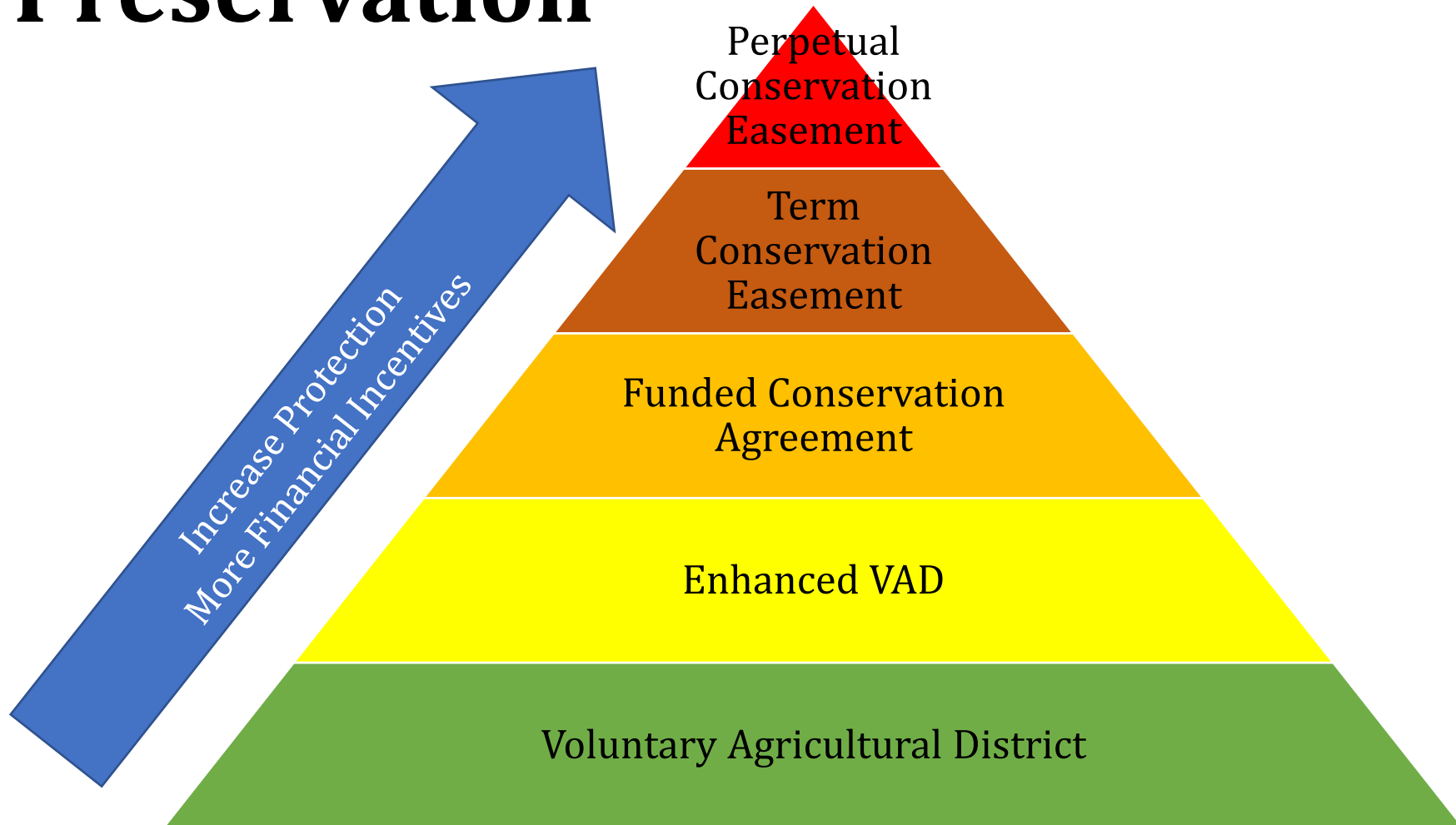
- The Farmland Preservation Division's mission is to preserve working farms and forests throughout North Carolina and foster the growth, development, and sustainability of family farms.
- The Agricultural Development and Farmland Preservation (ADFP) Trust Fund is the primary program inside the division.
 - The ADFP Trust Fund supports North Carolina's agricultural economy by providing grants to county governments and non-profit organizations for conservation easements, agricultural development projects, and agricultural plans.

Responsibility

- Administering all functions of the ADFP Trust Fund, including grant application evaluation, open grant contract administration, and post-award monitoring.
- Collaborate to enact strategies and policies to preserve working farms and forests throughout the state.
- Clearinghouse for the Voluntary Agricultural Districts program, county Farmland Protection Plans, and Cost of Community Services Studies.



Hierarchy of Farmland Preservation



Agricultural Conservation Easements

- Voluntary legal tool that restricts residential, commercial, and industrial development of land to maintain its agricultural production capability.
- Most grants awarded by the N.C. ADFP Trust Fund are for agricultural conservation easements.
 - These grants remove the development rights from the property and provide funds for other costs associated with the recording of the conservation easement.
 - If awarded a grant in which there are funds for the easement purchase value, landowners will be compensated for a portion of the development rights.
- All properties subject to these agricultural conservation easements remain in private ownership.
 - No fee simple, land transfers, or condemnation.
- If the property is sold or inherited, the terms and conditions of the conservation easement move with the land to the new owner.



What are the Primary Restrictions of a Conservation Easement?

- Primary restrictions
 - Residential development*
 - Commercial development
 - Industrial and commercial uses outside of agricultural and customary rural enterprises
 - Subdivision of the property
 - Impervious Surfaces
 - Mining
 - Dumping and trash
 - Commercial signage
 - Military: large towers, upward-facing lights, and other developments that hinder military training

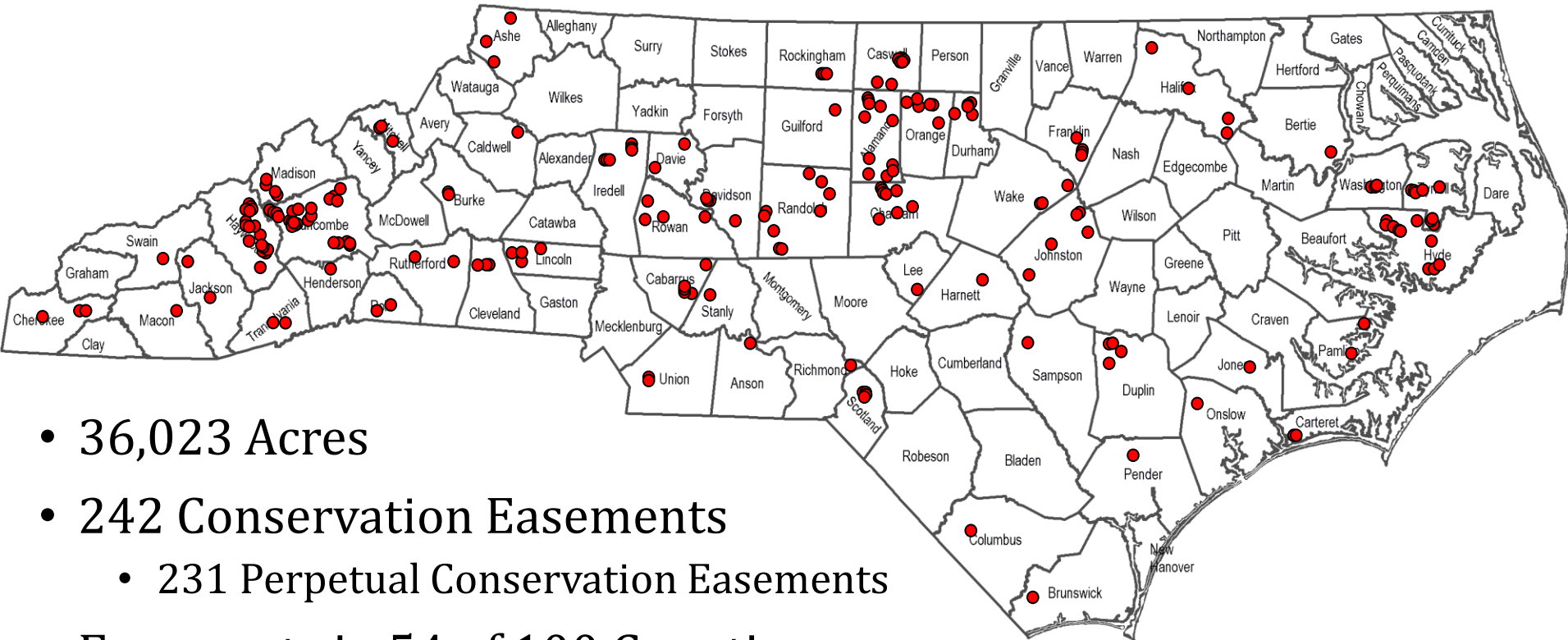


What Rights are Retained under a Conservation Easement?

- Right to Privacy
 - The land remains in private ownership. The easement does not grant public access to land.
- Right to Farm
 - Ability to change uses of the land (ag, horticulture, forestry)
- Timber harvest
- Right to Customary Rural Enterprises
 - Agritourism, Ecotourism
- Construction as permitted in easement language and within farmstead building envelopes
 - Ag structures, residential, farm support housing, accessory structures
- Low-impact, non-developed recreational activities
 - Hunting, fishing, birdwatching, hiking
- Water rights



Agricultural Conservation Easements Funded by the ADFP Trust Fund



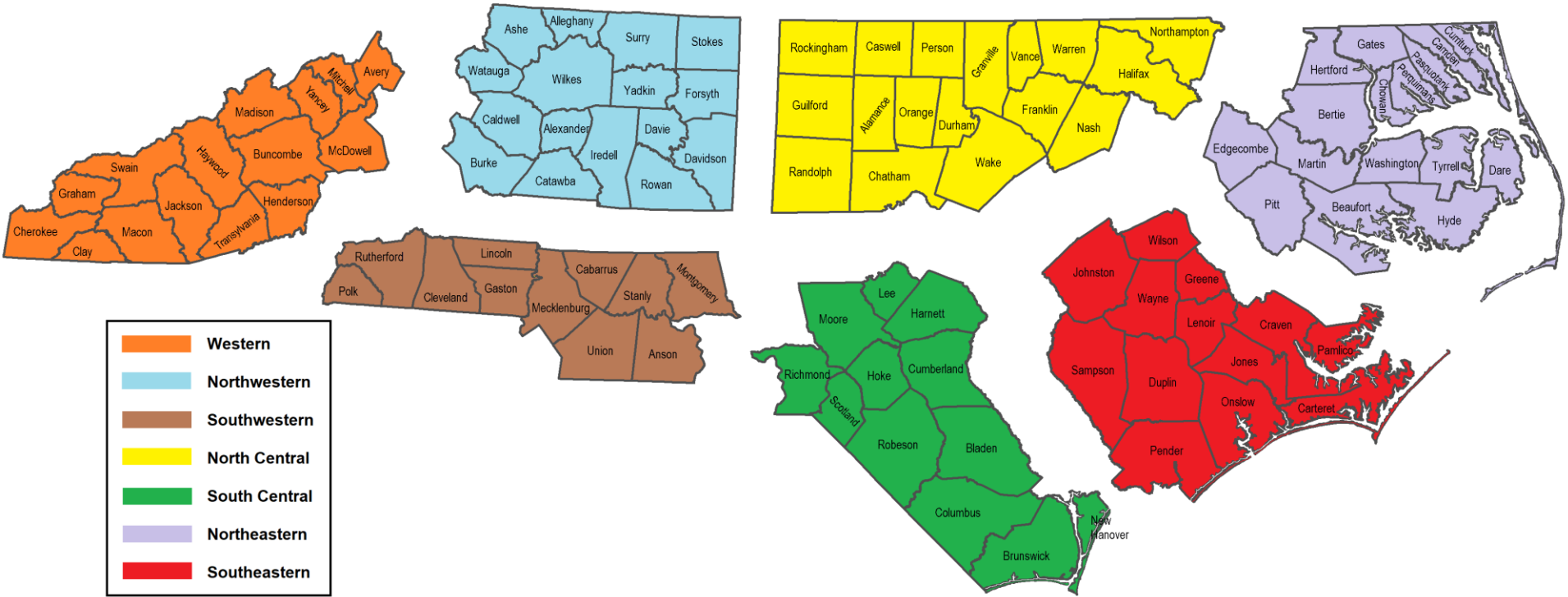
- 36,023 Acres
- 242 Conservation Easements
 - 231 Perpetual Conservation Easements
- Easements in 54 of 100 Counties

Updated 7/10/24

Conservation Easement Purchase Value Since 2016

Region	Average Per Acre Conservation Easement Purchase Value	Low Per Acre Conservation Easement Purchase Value	High Per Acre Conservation Easement Purchase Value
Western	\$7,236.74	\$3,619.63	\$10,868.43
Northwestern	\$4,045.11	\$2,717.19	\$4,798.87
Southwestern	\$6,024.96	\$2,525.00	\$15,928.73
North Central	\$3,690.57	\$1,999.50	\$8,634.52
South Central	-	-	-
Southeastern	\$1,080.78	\$550.09	\$1,429.87
Northeastern	\$2,036.12	\$770.43	\$2,704.67





- Western**
- Northwestern**
- Southwestern**
- North Central**
- South Central**
- Northeastern**
- Southeastern**

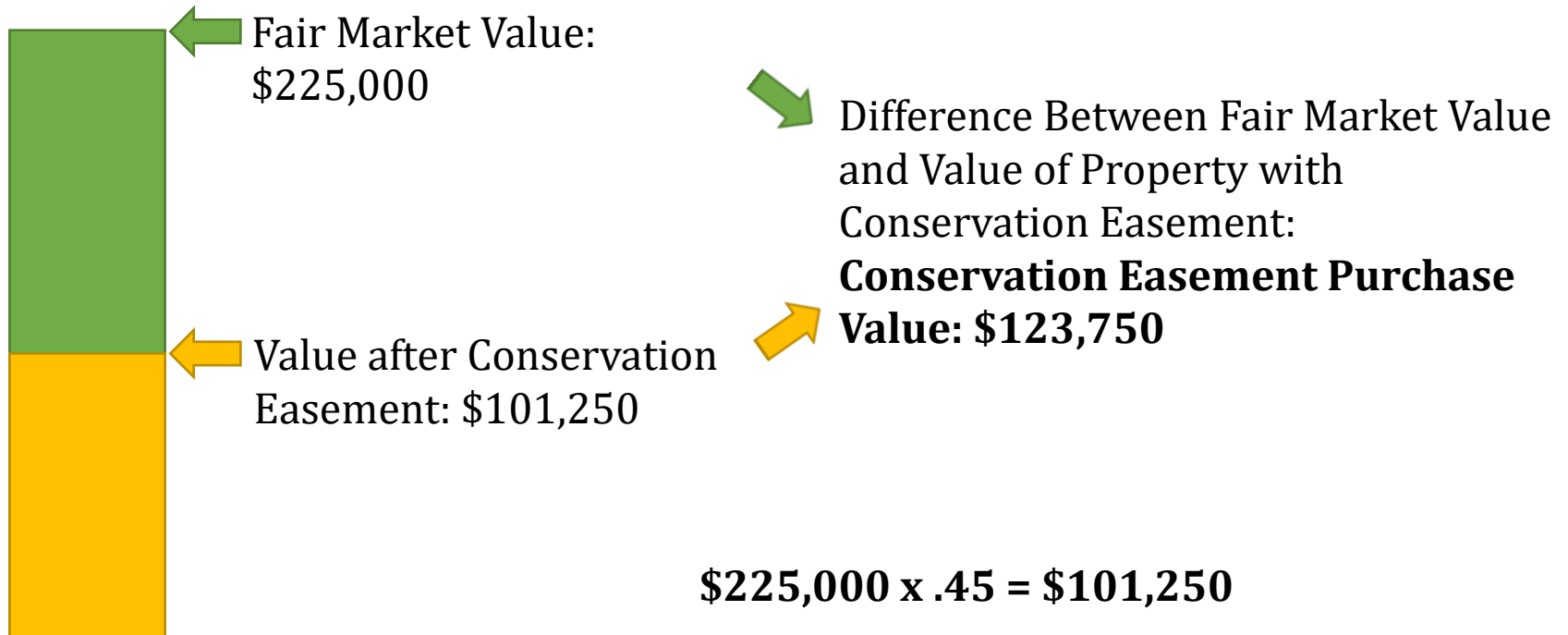
Average Percentage of Fair Market Value after Easement

Region	Average Percentage of Fair Market Value after Easement
Western	32 percent
Northwestern	37 percent
Southwestern	42 percent
North Central	40 percent
South Central	45 percent
Southeastern	64 percent
Northeastern	70 percent



Appraisal Program Valuation Example

- Statewide Average Percentage of Fair Market Value after Easement: 45 percent



What are the Funding Options?

- NC Department of Agriculture and Consumer Services – Agricultural Development and Farmland Preservation (ADFP) Trust Fund
 - Standard Appraisal Program
 - Present-Use Value Program
- US Department of Agriculture – Natural Resource Conservation Service (NRCS)
 - Agricultural Conservation Easement Program (ACEP) – Agricultural Land Easement (ALE)
 - Regional Conservation Partnership Program (RCPP)
- Department of Defense – Readiness and Environmental Protection Integration (REPI)
 - US Air Force
 - US Navy/US Marine Corps
- County Programs
- Landowner In-Kind Donation of Value
 - Eligible for a federal tax deduction for qualifying perpetual conservation easements

Sentinel Landscapes

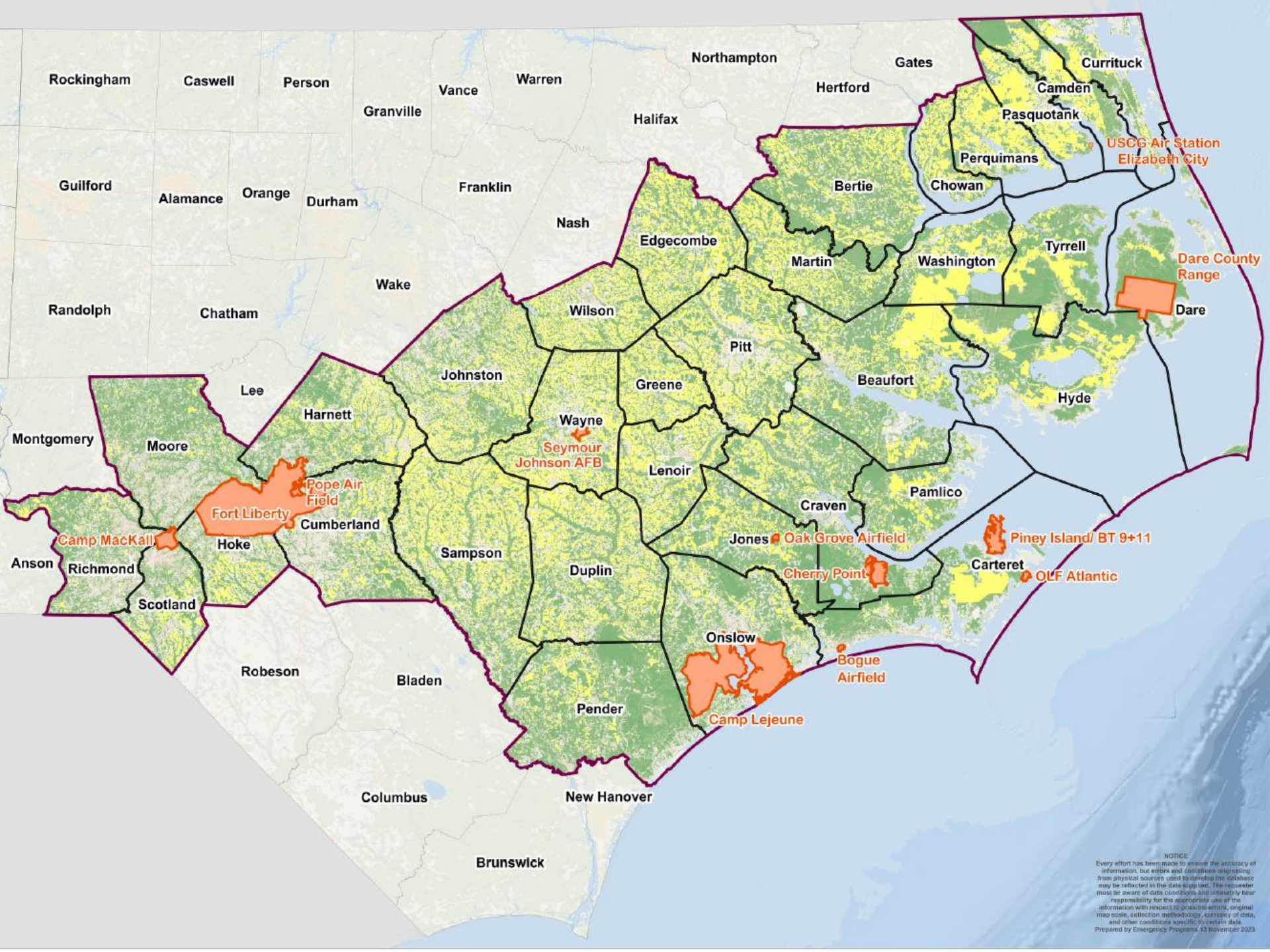
- Sentinel Landscapes are areas where conservation, working lands, and national defense interests converge.
- Anchored by at least one high-value military installation or range and contain high-priority lands for the U.S. Departments of Agriculture, Defense, and the Interior.
- The mission:
 - Strengthen military readiness
 - Conserve natural resources
 - Bolster agricultural and forestry economies
 - Increase public access to outdoor recreation
 - Enhance resilience to climate change.



Eastern NC Sentinel Landscape

- In 2016, the federal government designated 33 North Carolina counties as a Sentinel Landscape.
- The Eastern North Carolina Sentinel Landscape is one of 17 Sentinel Landscapes designated by the U.S. Departments of Agriculture, Defense, and the Interior.
- Spans nearly 11 million acres across a 33-county region in North Carolina's Coastal Plain and Sandhills.
- Home to seven key military installations and ranges.





NOTICE
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 Prepared by Emergency Programs, 13 November 2023.

Landowner Opportunities in the ENCSL

- Military Partnership Agricultural Conservation Easements
 - Single conservation easement that includes funding from NCDA&CS and military installation
 - Currently available in USAF and USMC priority zones
 - Must meet the objectives of both programs
 - Working farm or forest
 - Located in a military priority zone
 - Applications are accepted on a rolling basis
 - Grant awards based on funding availability
 - Contact NCDA&CS, Foundation for Soil and Water Conservation or Working Lands Trust for more information



Partnership Funding Valuation Example

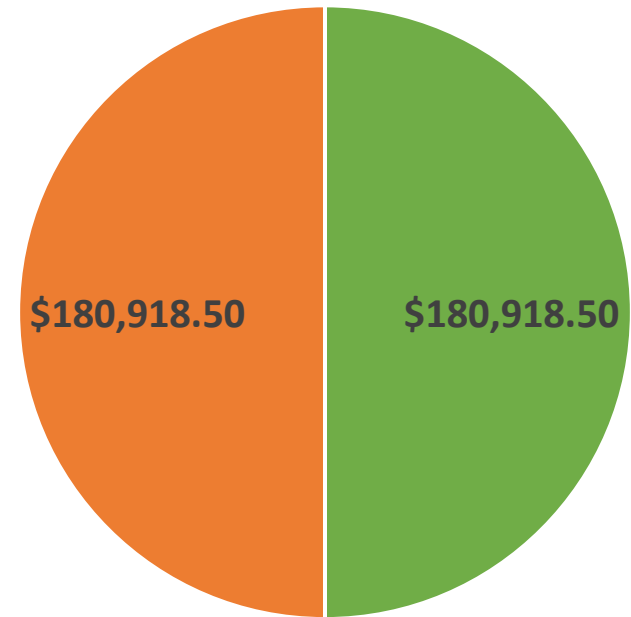
Western Region Average Per Acre Conservation

Easement Purchase Value: **\$7,236.74**

50-Acre Conservation Easement Value: **\$361,837.00**

ADFP Trust Fund (State of NC) and USDA-NRCS Agricultural Land Easement Program are both capped at 50 percent of conservation easement purchase value.

***Please note:** conservation easement purchase funds are a taxable event. There is a federal tax deduction available for the donation of any amount of conservation easement value.*



■ ADFP Trust Fund ■ USDA-NRCS ALE



Interested Landowner... Now What?

Find an Eligible Entity

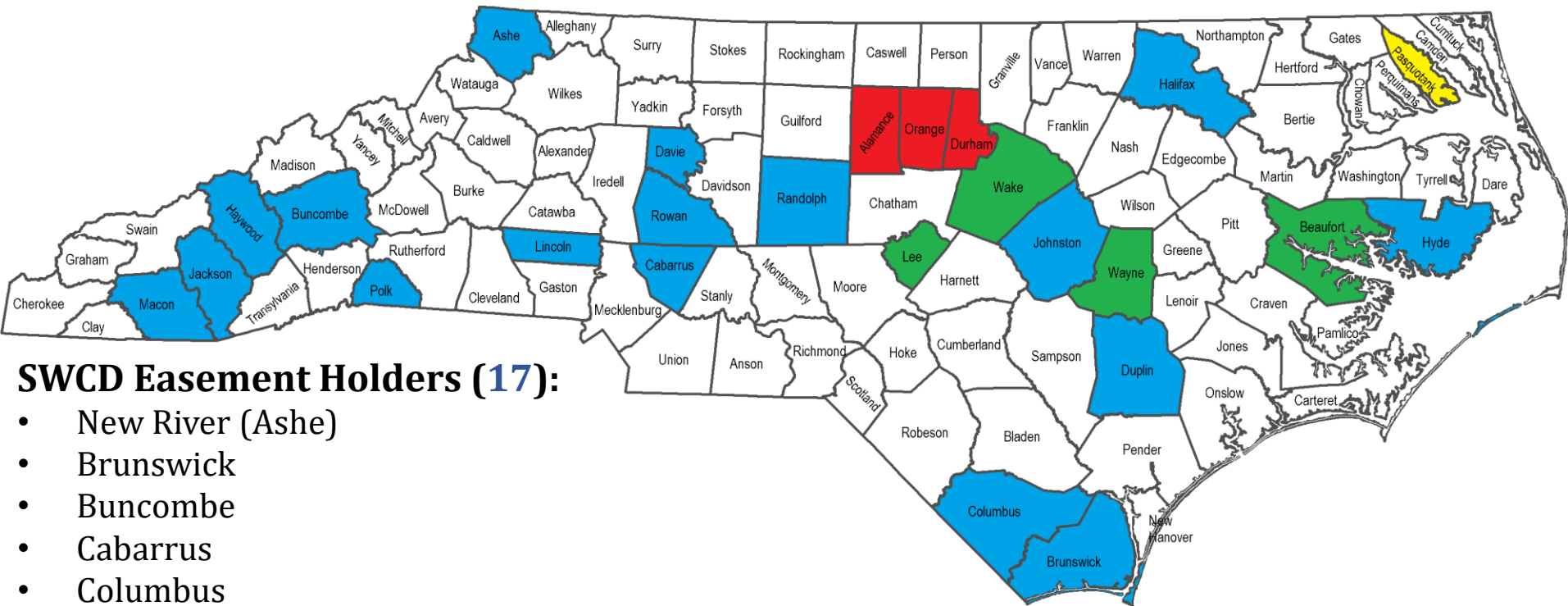
- County governments and land trusts may receive grants to build agricultural conservation easements on behalf of the landowner. What entities service the location of the land?

Landowner and Entity Agreement

- Since the entity will be the easement holder, in many cases perpetually, the landowner and entity must be comfortable with each other. Discuss details and objectives of the conservation project.

Find the Funding Sources

- NCDA&CS, USDA NRCS, Local Sources, In-Kind Donation of Value



SWCD Easement Holders (17):

- New River (Ashe)
- Brunswick
- Buncombe
- Cabarrus
- Columbus
- Davie
- Duplin
- Fishing Creek (Halifax)
- Haywood
- Hyde
- Jackson
- Johnston
- Lincoln
- Macon
- Polk
- Randolph
- Rowan

County Easement Holders (3):

- Alamance
- Durham
- Orange

Current Grantees (4):

- Beaufort SWCD
- Lee SWCD
- Wake SWCD
- Wayne SWCD

New Applicants (1):

- Pasquotank SWCD





Please note: Service areas in shared counties are approximate.

Statewide Land Trusts:



Why Choose Agricultural Conservation Easements?

- The land remains in private ownership
 - Voluntary legal agreement
 - All agricultural conservation easements remain on the county tax rolls
 - Agricultural lands use fewer tax dollars than they generate. Working lands are net providers of local tax dollars, rather than net users.
 - 98 percent of Cycle 17 applications were enrolled in Present-Use Value
 - Agricultural conservation easements allow land to remain in Present-Use Value



Why Choose Agricultural Conservation Easements?

- Landowners are compensated for the removal of the development rights from the property
 - Real estate transaction while maintaining ownership
 - Federal tax deduction of donated value that is supported by a qualified appraisal
 - IRC Section 1031 like-kind exchanges of conservation easements
 - Payoff or subordination agreement required
 - Taxable event
 - Pay down debt, expand operations, purchase additional property, savings and investments



Why Choose Agricultural Conservation Easements?

- Agricultural Growth Zones
 - Large blocks of permanently protected land can act as a sprawl management tool and are most effective when they are coordinated with other planning efforts
 - One of the best strategies for the long-term viability of working farms and forests and the agribusinesses that support them
 - Partnerships between local, state, and federal government
 - Identify vulnerable geographic areas while promoting widespread participation



Why Choose Agricultural Conservation Easements?

- “Food requires Agriculture. Agriculture requires Land.”
 - Agriculture is North Carolina's top industry, accounting for one-sixth of the state's economy and employees
 - Agriculture and agribusiness amount to almost 16 percent, or \$103.2 billion, of the \$662 billion gross state product
 - Working lands provide fresh, local foods to North Carolina residents and quality products across the country and around the world

Why Choose Agricultural Conservation Easements?

- Agriculture and the Environment
 - Farmers actively manage working lands, providing essential benefits like erosion control, carbon sequestration, and waterway buffers
 - Impervious surfaces, like rooftops and roads, increase runoff and the potential for flooding. Preservation of working lands protects existing pervious surfaces and reduces the impact of runoff downriver
 - Irrigated cropland can serve as a natural firebreak
 - Farms and forests provide wildlife habitats
 - Recent studies show cropland emits 58-70 times fewer greenhouse gases per acre than developed land.



Why Preserve Farmland?

Agricultural

Food Security,
National
Security

Long-term
Viability of
Farms and
Forests

Reducing
Fragmentation
and Sprawl

Economic

Supporting
NC's Top
Industry -
Agriculture

Stabilization of
Ag Operations

Giving
Landowners a
Choice

Environmental

Reducing
Runoff,
Impervious
Surfaces

Management to
Improve Soil
and Water
Quality

Climate
Resiliency

Public Policy

Voluntary
Program,
Private
Ownership

Revenue
Neutral for
Counties

Ag Lands are
Net Providers
of Tax Revenue

Quality of Life

Our Shared
Agricultural
Heritage

Family
Legacies

Recreation,
Agritourism,
and Rural
Viewscapes

Questions?



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