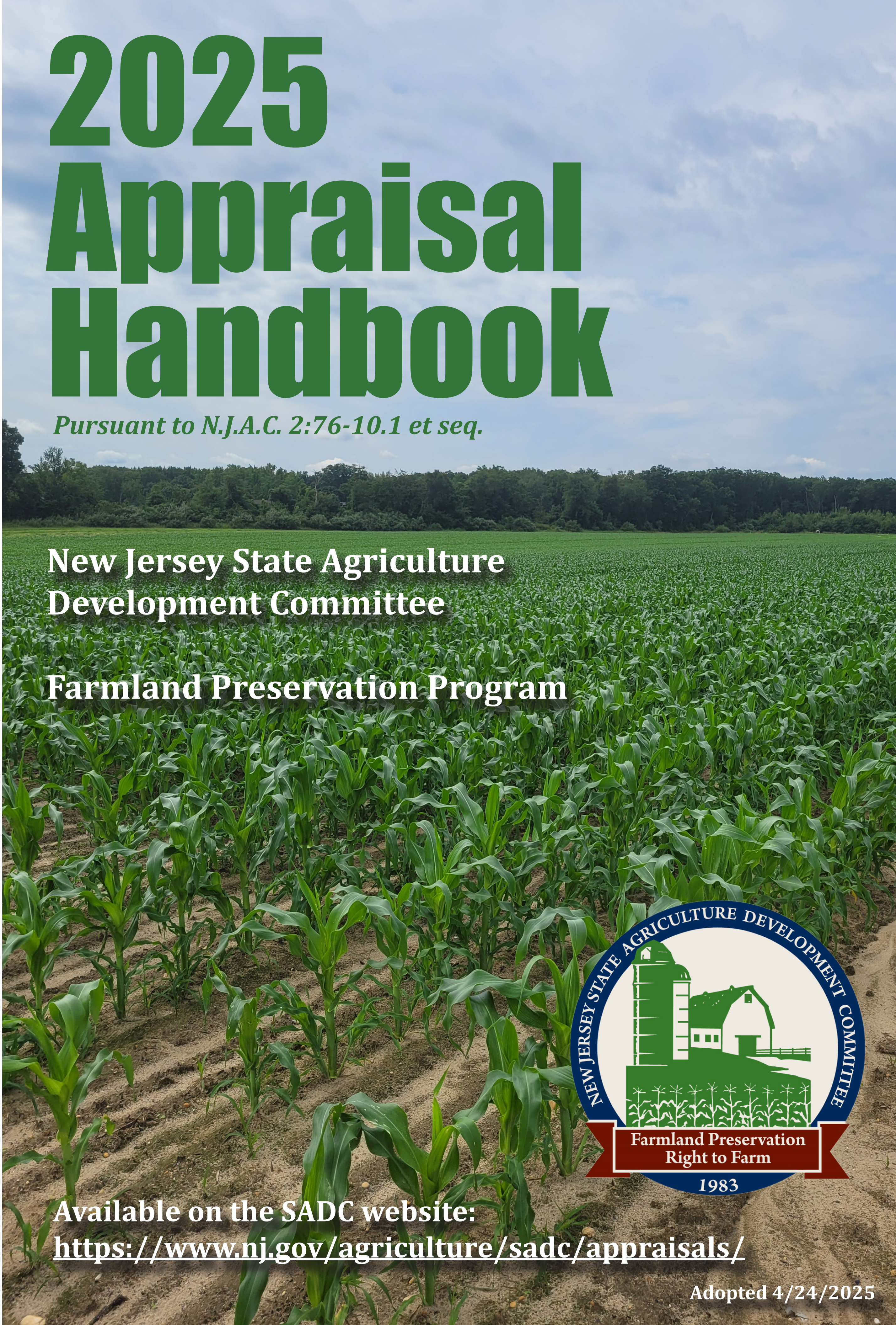

2025 Appraisal Handbook

Pursuant to N.J.A.C. 2:76-10.1 et seq.

New Jersey State Agriculture Development Committee

Farmland Preservation Program

Available on the SADC website:
https://www.nj.gov/agriculture/sadc/appraisals/

Adopted 4/24/2025

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APPENDICES

Introduction

The State Agriculture Development Committee (SADC) appreciates the work its approved appraisers undertake on behalf of the New Jersey Farmland Preservation Program and the prompt responses to the agency's review questions. Unbiased appraisals provide the connection to market value, which is a critical component of the program.

The SADC's appraisal review staff manages the appraisal section of the SADC website and strives to make it an informative resource for its appraisers. For information and links to websites that can be helpful for farmland preservation, as well as the Appraisal Handbook Checklist, go to the appraisal section of the SADC website, or use the following link:

https://www.nj.gov/agriculture/sadc/appraisals/

Agency staff are available to help and may notify program appraisers of updates as they become available. Please contact the SADC's appraisal staff with any questions, comments, or concerns:

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Clark Farm, Salem County

Overview

The Agriculture Retention and Development Act of 1983, as amended and supplemented, provides the basis for the public purchase of development easements on farmland in New Jersey. The landowner's voluntary sale of a development easement results in the placement of a permanent deed restriction to preserve the property. The program is entirely voluntary both on the part of the landowner (i.e., seller) and the qualifying government entity or nonprofit organization (i.e., purchaser). The landowner retains ownership of the land and may be eligible for certain benefits and protections.

Acquisitions made utilizing state funds are prohibited from occurring through the use of eminent domain. The State Agriculture and Development Committee (SADC), created by the Right to Farm Act, is responsible for administering the Farmland Preservation Program. The SADC is in, but not of, the Department of Agriculture. Chaired by the Secretary of Agriculture, the SADC consists of 11 members who represent the State and general public's agricultural, fiscal, community and environmental interests.

In November 2014, voters approved a constitutional amendment that would dedicate funding from the corporate business tax (CBT) to New Jersey's conservation programs. The amount of funding appropriated for the Farmland Preservation Program is determined by the Legislature. The SADC may utilize these funds for purposes including:

- Providing grants to local government units for up to 80% of the cost of acquisition of development easements on farmland, and to qualifying tax-exempt nonprofit organizations for up to 50% of the cost of acquisition of development easements on farmland;
- Providing grants to local government units for up to 80% of the cost of acquisition of fee simple title to farmland from willing sellers only, and grants to qualifying tax-exempt nonprofit organizations for up to 50% of the cost of acquisition of fee simple titles to farmland from willing sellers;
- Funding the cost of acquisition by the SADC of development easements on farmland; and
- Funding the cost of acquisition by the SADC of fee simple title to farmland from willing sellers only, which shall be offered for resale or lease with agricultural deed restrictions.

Compensation for preservation is based on an appraised market value of the property, or other approved formula-based approaches.

Over the years, much of the landowner participation has been through the County grant program in which landowners apply to their respective County Agriculture Development Board (CADB). Currently, the SADC may provide Planning Incentive Grants to eligible counties and municipalities for the purchase of development easements on farmland[1]. The objective of the program is to preserve significant areas of reasonably contiguous farmland that will promote the long-term viability of agriculture as an industry.

[1]P.L. 1999, c.180 (C4:1C-43.1 et. seq.)

Development Easement Valuation

The full ownership of real property is often referred to as comprising a "bundle of sticks" in which each stick represents a distinct right. Any or all of the bundle of rights that make up the ownership of real property can be sold, leased, or restricted individually or together (e.g. water rights, mineral rights, right of access, hunting and fishing rights). Within this concept of ownership, the development rights of a property may be sold to restrict the use of the property. This concept is the basis for estimating the market value restricted (commonly known as "After" value) of properties participating in the Farmland Preservation Program.

The rights acquired on farm property in this program are described as development rights. These rights are conveyed by the landowner to the purchaser by means of a "Deed of Easement" containing restrictions that will be placed on the property. The restrictions are set forth in SADC regulations at N.J.A.C. 2:76-6.1, et seq., "Acquisition of Development Easements". The "Deed of Easement" is also referred to as a "development easement" because the landowner is conveying to the purchaser only a portion of the bundle of sticks: the rights to develop and use the property for nonagricultural uses.

The general intent of the deed restrictions is to limit the use of the property for agricultural purposes and to conserve the farm's soil and water resources. The owner of record may continue to own, farm, sell, or lease the property to others for agricultural purposes. Other uses, which are compatible with agricultural pursuits, are permitted, such as defined residential uses and certain recreational activities. In certain instances, the value of the property for these uses may be primary in the marketplace, while agricultural value is secondary. This point is frequently illustrated by properties in areas undergoing heavy development pressure, affluent areas and in situations where the land parcel is relatively small.

A development easement's value is calculated as the difference between the land value if its use were unrestricted, the Before calculation, and the value of the land restricted under the terms of the Deed of Easement, the After calculation.

Jones Farm, Hunterdon County

Statewide Formula Valuation

In the spring of 2025, the SADC adopted new rules at N.J.A.C. 2:76-26 to implement the "Statewide Farmland Preservation Formula" pursuant to P.L. 2023, c. 245 amending the "Preserve New Jersey Act". The rules set forth a new methodology for the valuation of farmland preservation development easements with the objective of increasing participation in the farmland preservation program.

Buckhorn Creek Farm, Warren County

The Statewide Formula Valuation is an alternative method for valuing the development easement and is offered to landowners in addition to the traditional development easement valuation described herein. The landowner has the option to take the highest value offered for which they qualify. Additionally, a property located in the Pinelands may also qualify for a value via the Pinelands formula. If that is the case, they are entitled to three offers (Pinelands formula, traditional appraised development easement, and Statewide formula) and they may select the highest of the three.

Based on two appraisals, this formula uses the SADC certified Before value as the base value, then adds other factors, including agricultural and natural resources, as well as making deductions for residential building opportunities under certain conditions. Formula valuations are calculated at the government level and are not the responsibility of the appraisers.

The following is the Statewide Formula for farmland preservation:

Base Value	= 50% of Certified Fee Value
+ Agricultural Value (Top 3 Scores)	= 20% Maximum of Certified Fee Value
+ Natural Resource Value (Top 3 Scores)	= 10% Maximum of Certified Fee Value
+ Other Factors	= 15% Maximum of Certified Fee Value
= Total Formula Value w/o Additional Deed Restrictions	**= 80% Maximum of Certified Fee Value**
+ Voluntary Deed Restrictions	= 10% Maximum of Certified Fee Value
= Total Formula Value w/Voluntary Deed Restrictions	**= 90% Maximum of Certified Fee Value**
Adjustments for Retained Housing Opportunities	= -4x Max Per Offer, Per Housing Opportunity, in excess of 2

Program Procedures for the Purchase of Development Easements

The County and Municipal Planning Incentive Grant, Non-profit, SADC Direct Easement and SADC Fee Simple programs have varying administrative procedures in several respects. However, the following appraisal processes are consistent throughout all programs:

1. A landowner may apply to one of the above-mentioned programs to sell a development easement pursuant to regulations contained at N.J.A.C. 2:76-1.1 et. seq.

2. The client must review, evaluate and approve the easement purchase application based on relevant rules.

3. The client shall contract with two independent appraisers approved by the State Agriculture Development Committee (SADC) to conduct an appraisal of each of the farmland preservation applications, pursuant to N.J.A.C. 2:76-1.1 et. seq. Appraisals must be completed in an "Appraisal Report" format, estimating the values of the land both before and after the preservation easement is considered, with a brief description of the improvements, if any.

4. The appraisers shall estimate the market value of the development easement. The development easement value is the difference between the market value of the unrestricted, "as-is" condition of the subject property (commonly known as "Before" value) and the market value based on the hypothetical condition that it is restricted via the deed of easement (i.e., the After value).

5. SADC staff will determine a value for each application using the approved Statewide Formula Value that shall be offered to all landowners in addition to the traditional development easement value.

Moonshot Farm, Mercer County

SADC Appraisal Policy

1. Typical Certification of Value:

a) The SADC Review Appraiser(s) shall examine the appraisals for format errors, omissions, appropriate comparable sales, adjustments, reasonable value judgments, and basis for value conclusions.

b) The Review Appraiser(s) may request additional information, explanations, and clarifications as needed. The client shall be informed of such requests and is responsible for conveying the information to the Reviewer in a timely manner.

c) The Review Appraiser(s) shall make a value recommendation to the SADC based on two independent appraisals submitted by the client.

d) The SADC shall certify or reject the recommended fair market value of the development easement.

e) The SADC's certified market value of the development easement shall not be greater than the highest appraised value of the development easement or be less than the lowest independent appraised value of the development easement.[2]

2. Invalidation of Appraisals:

The SADC may find an appraisal invalid if the appraisal does not comply with the appraisal handbook standards at N.J.A.C. 2:76-10, or the Uniform Standards of Professional Appraisal Practice (USPAP).

3. Policy P-52 and Updated Appraisals:

The State Agriculture Development Committee maintains the following policy (P-52) with respect to the timeframes/ validity of appraisals:

https://www.nj.gov/agriculture/sadc/documents/rules/P52%20CMV%20update%20timeline.pdf

Anema Farm, Warren County

[2] N.J.A.C 2:76-6.8

Appraisers

Approved Appraisers: Appraisers authorized to conduct appraisals of farms must be approved by the State Agriculture Development Committee and re-certified every year.[3]

Inclusion on the SADC approved appraiser list applies to individual appraisers only, not to entire appraisal firms, for work assigned through our partners (counties, municipalities and non-profit organizations). For SADC direct easement assignments, the appraisers must **also** be on the NJ Department of Environmental Protection's approved appraiser list.

The approved appraiser is responsible for the appraisal report. They must sign the report, attend the primary inspection of the subject property and interview the landowner or their representative. (See Other Appraisal Considerations, Guidelines, and Requirements section of this handbook.)

For information regarding appraiser selection, retention and removal guidelines, please see the Appraisal section of the SADC website, or use the following link:
https://www.nj.gov/agriculture/sadc/rules/

For Appraiser Selection, see N.J.A.C. 2:76-6.21
For Appraiser Retention and Removal, see N.J.A.C. 2:76-6.22

Contracting with Appraisers: The client shall be responsible for contracting directly with the two independent fee appraisers. The contract should stipulate compliance with the SADC's Appraisal Handbook, as well as any standards and specifications required by the client and other stipulations contained in the Appraisal Order Checklist. It is recommended that the type of report, number of copies, amount and structure of fee, and date of completion be specified. Each appraiser shall use the same acreage, as specified in the Appraisal Order Checklist (AOC), found in the addenda to this handbook. If, during the appraisal process, the appraiser notices differences in the acreage, these issues shall be relayed to the client. However, the specified acreage shall not be modified unless and until the client notifies the appraiser that the application shall be amended. A written contract is highly recommended for the protection of both the client and the appraiser. The client should provide the appraisers with as much information as possible such that informed bids for appraisal services can be formulated.

Under no circumstances shall the client:

1. Attempt to influence the independent appraiser's opinion of value, in any way.
2. Make an appraisal fee contingent upon concluding a predetermined result or value.
3. Suggest appraisal techniques or philosophies inconsistent with those expressed in this handbook or inconsistent with USPAP.
4. Encourage or manipulate the independent appraisers to reconcile their final easement values to a predetermined result.

[3] N.J.A.C 2:76-6.22

Appraisal Submission Procedure

The appraiser shall provide copies of the appraisal report to the client in the required format(s).

1. The appraisal must be submitted to the SADC in Portable Document Format (PDF), or similar format as approved by the SADC.

2. The appraisal will be submitted to the SADC for review via the State of New Jersey Office of Information Technology approved secure data transfer website (MOVEit) by either the client or the appraiser.

3. Any required or requested revisions or corrections to the appraisal must be made to the entire document, and the revised appraisal must be resubmitted in its entirety using the above procedure. Single pages with changes <u>may not</u> be submitted.

If the client is not the SADC (i.e. the municipality, county or non-profit), the appraiser shall contact the client for their specific report submission requirements.

When submitting an appraisal to the SADC, only electronic copies are required.

Lee Farm, Camden County

Appraisal Format

The appraisal must be written and presented in a narrative "Appraisal Report" format, as defined in USPAP[4]. "Restricted" appraisal formats will not be accepted.

The appraisal must also:

1. Be sufficiently descriptive to enable the reader to ascertain the estimated market value and the rationale for the estimates.

2. Provide detail and depth of analysis that reflect the complexity of the real estate appraised.

3. Be valued or formatted as requested. Any factual or mathematical errors, which could result in a value change, may be referred to the client for correction and/or clarification.

The following is a sample Table of Contents that illustrates the SADC-required appraisal format. The order of these topics is recommended; reasonable modifications to the order are permitted provided all of the required information is contained in the report. **Explanations and guidelines for each topic follow on subsequent pages.**

SAMPLE

TABLE OF CONTENTS

PAGE #s

[4]Uniform Standards of Professional Appraisal Practice (USPAP), 2024, Standards Rule 2-2

TABLE OF CONTENTS (continued)

Guidance for Required Appraisal Topics

Marino Farm, Salem County

SUMMARY

Letter of Transmittal: The appraiser's letter of transmittal to the client must contain the Before, After and Easement estimated values on a per acre basis as well as the total values for the net acreage (gross acreage if there are no exception areas; see also section titled "Exception Areas and Residential Opportunities"), the rights appraised, and any special instructions that were given to the appraiser (typically in the AOC), all clients and intended users of the appraisal.

Certification of Appraisal: Must be in conformance with USPAP requirements[5]. Be sure to include the market value unrestricted (Before) per acre and total value, market value restricted (After) per acre and total value, easement value per acre and total value, date of valuation, a statement that the appraisal conforms to the Standards for Appraisals contained in N.J.A.C. 13:40A-6.1 and the signature of the appraiser(s) responsible for the report. The appraiser(s) must additionally certify that no services, appraisal or otherwise, regarding the subject property have been performed by the appraiser over the past three years. If the appraiser has provided any such services, then the appraiser must explain the nature of any such services and for whom they were performed. It is preferred that this be disclosed to the SADC prior to the acceptance of the assignment.

Summary of Salient Facts: According to the Appraisal Institute's *The Appraisal of Real Estate*, this is a summary of the major points and important conclusions in the report. Include the unrestricted Before value, the restricted After value, and the easement value on both a per acre basis and total value based on net acreage (gross acreage if there are no exception areas). This is a sample format and must include the following at a minimum:

[5] USPAP 2024, Standards Rule 4-3

SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS		
PROPERTY ADDRESS (including municipality and county)		
PROPERTY BLOCK AND LOT		
OWNERSHIP		
PROPERTY TYPE (including type of farm)		
LAND SIZE (gross and net acreage, if applicable)		
ZONING (with a brief description of minimum lot size)		
RESIDENTIAL OPPORTUNITIES ONCE RESTRICTED (RDSOs and others)		
EXCEPTION AREAS ONCE RESTRICTED (identify severable and non-severable)		
HIGHEST AND BEST USE (Before and After)		
EFFECTIVE DATE OF VALUATION		
	PER ACRE	TOTAL
ESTIMATE OF PROPERTY VALUE BEFORE:	________	________
ESTIMATE OF PROPERTY VALUE AFTER:	________	________
ESTIMATE OF DEVELOPMENT EASEMENT VALUE:	________	________

Table of Contents: Required format is included on the previous page.

GENERAL INFORMATION

Appraisal Purpose: The purpose of the appraisal is to estimate the market value of a development easement on the subject property per the restrictions of the New Jersey Agriculture Retention and Development Program.

Scope of Work: The scope of work for SADC assignments will be consistent with the requirements of the SADC appraisal handbook and USPAP. Appraisers shall be provided with the project application, the Appraisal Order Checklist (AOC) and, in most cases, SADC staff's preliminary "Green Light Approval" letter identifying any special requirements, restrictions or limitations associated with the appraisal assignment. Appraisers must identify the client and other intended users of the appraisal, intended real estate transaction for which the appraisal report will be used (e.g., fee simple, easement acquisition), definition of value (market), hypothetical conditions/extraordinary assumptions, effective date of the appraisal, salient features of the subject property, methodologies to be used, extent of investigation, and the applicable approaches to value.

Inspection: The date of the inspection shall be noted, as well as the individuals in attendance. The SADC approved appraiser is required to attend the primary inspection, which shall be in person (drive-by inspections are not permitted) as well as the interview of the landowner(s). Any appraisers providing significant assistance to the preparation of the appraisal are encouraged to attend the primary inspection of the subject and landowner interview.

Hypothetical Conditions and Extraordinary Assumptions: While some assumptions may be necessary, as a general rule, all atypical hypothetical conditions and extraordinary assumptions are **prohibited**, unless ordered by the client **and** approved by the SADC.

> **Hypothetical Conditions** are defined in the Appraisal Institute's *The Appraisal of Real Estate* as "contrary to what exists, but the conditions are asserted by the appraiser for the purposes of analysis."
>
> **Extraordinary Assumptions**, according to the Appraisal Institute's *The Appraisal of Real Estate*, "presume uncertain information to be factual. If found to be false, these assumptions could alter the appraiser's opinions or conclusions."

See also the Hypothetical Conditions and Extraordinary Assumptions section of this handbook.

Estate Appraised: This is a statement of the rights being valued. For market value, the fee simple estate will apply in most cases.

The majority of the valuations include the value of the land only. All appraisals are for surface rights only.

For appraisals where the appraiser deems the highest and best use to be agricultural use AND it is located in the Pinelands (PDC areas: Agricultural Production, Special Agricultural Production and Preservation Areas only), Highlands Preservation area or Highlands Planning area conforming municipalities (see Highlands section of this handbook), agricultural improvements shall also be valued. *See Valuing Agricultural Improvements section of this handbook.*

Definitions: Define the legal and technical terms of the report including, but not limited to, Market Value and Highest and Best Use.

The following definitions will help identify distinctions in value:

1. **Market Value Unrestricted (Before Value) of the "as is" condition**

Market Value Unrestricted means the value that the property will bring in the open market under all conditions requisite for a fair sale and which includes all rights of fee simple ownership.

The specific definition of Market Value[6] Unrestricted to be used in all appraisal reports shall read as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated
2. Both parties are well informed or well advised and acting in what they consider their own best interests.
3. A reasonable time is allowed for exposure in the open market
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto, and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

For properties appraised for federally funded projects requiring reports compliant with the Uniform Appraisal Standards for Federal Land Acquisitions (formerly known as "Yellow Book") (see Appraisal Order Checklist), the definition of market value must be used as set forth in Section A-9 of the federal standards:

> "Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal."

2. Market Value Restricted (After Value)

Market Value Restricted is the market value of property subject to the deed restrictions, or 'after' the property has sold its farmland preservation easement,[7] which would be a Hypothetical Condition. The After Value may also consider the highest and best use for agricultural productivity, or 'Agricultural Market Value,' of the property. The restrictions placed on the premises run with the land forever.

A sample deed of easement can be found on the SADC website:
https://www.nj.gov/agriculture/sadc/farmpreserve/resources/standarddeeds.html

[6]*The Appraisal of Real Estate*, 14th edition, page 59
[7]N.J.A.C 2:76-6.15

It is essential that the appraiser understands the composition of the buyer pool and their motivations for purchasing a preserved parcel (i.e. production farmer, oversized home site/country estate, recreation, nursery, horses, vegetables, space, privacy).

The specific definition of Market Value Restricted to be used in all appraisal reports shall read as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. **The market value restricted is based on the hypothetical condition that the property is already restricted to agricultural use via a deed of easement.** Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated
2. Both parties are well informed or well advised and acting in what they consider their own best interests.
3. A reasonable time is allowed for exposure in the open market
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto, and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

3. Development Easement Value

For the New Jersey Farmland Preservation Program, Market Value Unrestricted and Market Value Restricted are of primary concern. The value of the development easement is calculated as the Market Value Unrestricted of a property less the Market Value Restricted of that property.

4. Statewide Formula Valuation

The Statewide Formula Valuation is an alternative method of valuing a development easement, in accordance with N.J.A.C. 2:76-26, This value is calculated by SADC staff and partners using the approved formula and certified before per acre value.

S.F. Systems Farm, Cumberland County

Assumptions and Limiting Conditions: The Appraisal Institute publishes a sample list of assumptions and limiting conditions a sample list[8] for use by appraisers. The list may be edited by the appraiser to suit specific assignments if necessary. Depending on the assignment, the appraiser may need to provide additional data, analysis and work product not called for in this recommended list.

History, prior sales, listings and contracts of sale of subject: This shall include any title changes of the subject in the last 5 years, including easements, agreements for sale or options to purchase. Report in reasonable detail and analyze the most recent sale of the subject as well as any listings or contracts of sale on the subject property. Failure to comply with this analysis is considered a USPAP violation and may result in the appraisal being invalidated.

The appraiser shall consider a recent subject sale for use as a comparable sale as it may require less adjustment than other sales being considered. If the appraiser does not use the subject sale as a comparable sale, the reasons for not including it shall be specifically stated.


Lombardi Farm, Atlantic County

In the event the subject has received a bona fide purchase offer, and the proposed use is permitted in the subject's zoning district, the offer shall be considered by the appraisers in determining the unrestricted market value.[9] Therefore, in addition to listings or contracts, the appraiser shall also report and analyze any recent written offers the landowner has received. Details shall include price, contingencies, and any other relevant information. Analysis must include the appraiser's due diligence on the validity and feasibility of the offer and how the value conclusion is or is not supported by the contract. When analyzing offers the appraiser should always understand that the subject value for the purposes of farmland preservation is "as is" and not based on contingencies that may be associated with the offer(s).

Community and Neighborhood Data: The appraiser shall prepare a description of the subject property's county and municipal demographic data including but not limited to: relevant transportation, employment, income, housing, construction (building permits), education systems, shopping, environmental, and other factors the appraiser deems relevant. The immediate neighborhood description shall include any structures or sites that may have an impact on the subject property that was not addressed in the municipal description.

[8] *The Appraisal of Real Estate*, General Assumptions and Limiting Conditions
[9] N.J.A.C 2:76-26.13 Imminence of Change

This section shall lay the foundation for the discussion of Highest and Best Use later in the appraisal report.

Market Trends and Analysis: Report current market conditions, trends and analyze these impact on the subject. This shall include, but is not limited to, character of the community, land use trends, degree of development pressure in the area, and any other information, which may significantly impact the fee simple market value.

Exposure Time Before and After: Estimate exposure time (as defined in USPAP) for the subject for both the Before and After valuations.[10] The concept of Exposure time implies that the valuation is based on the subject property selling on the effective date of value. This concept reinforces the instruction that the appraiser must value the gross land as of the effective date of value to establish Before and After per acre rates.

Subject Property Identification and Description: Identify and describe the subject property by including the following, at a minimum:

- √ Municipality, County, Block/Lot
- √ Physical street address (or other appropriate means, e.g. northwest corner of Main Street and Route 510)
- √ Its current use
- √ All physical attributes, including but not limited to:
    - Size (gross and net acreage, exactly as stated in the Appraisal Order Checklist, not rounded)
    - Describe and total all road frontages (e.g. 850' of interrupted frontage along Main Street and 250' along Henderson Street)
    - Frontage ratio (total road frontage divided by the gross acreage)
    - Topography
    - Soils data & maps (see A below)
    - Wetlands data & maps (see B below)
    - Easements
- √ All improvements, including existing residences and/or agricultural labor housing – may be brief if not being valued (see G below)
- √ Legible tax map, clearly showing lot dimensions with the subject outlined or highlighted
- √ It is recommended that a tax map be included in this section to assist the reader, but may be in included in the appraisal addenda. (see Addendum items section).
- √ Concept or subdivision plans (approved, denied or pending)
- √ Proposed exception areas, residential opportunities and/or Residual Dwelling Site Opportunities (RDSO) - For more information refer to the section titled "Exception Areas and Residential Opportunities" in this Handbook.
- √ Pre-existing non-agricultural uses

[10]USPAP 2024, Standards Rule 1-2(c)

Additionally, the description of the subject must include the following:

A. **Soil Characteristics:** The client should provide the appraisers with a copy of state soils maps that will include data regarding septic suitability. If this is not provided, the appraiser may reach out to their client to request it. Discussion shall include the class of soils (e.g., very limited, somewhat limited, not limited), the amount of each soil class, each class as a percentage of the total area, and any other factors of significance. This analysis will form the basis for adjustments to the comparable sales used in the report.

B. **Wetlands and/or Hydrologically Limited Areas:** The client should provide the appraisers with a copy of state wetlands maps or any other more detailed wetlands analysis when appropriate. If the mapping is not provided, the appraiser may reach out to their client to request mapping. Discussion shall include the type of wetlands (e.g., modified agricultural wetlands may have utility in the After Value), location of wetlands, the amount of the wetlands as a percentage of the total area, and any other factors of significance. This analysis will form the basis for adjustments to the comparable sales used in the report.

C. **Category 1 (C-1) Streams:** C-1 streams will be shown on the Surface Water Quality Standards map prepared by SADC staff. This information must be analyzed and discussed by the appraiser, with the location and its impact on the subject's development potential explained. If present on the subject, the C-1 stream 300' buffer limitation must always be taken into consideration in any appraisal considering current environmental regulations. Only appraisals in the Highlands under the hypothetical condition that environmental and zoning regulations as of 1/1/04 are in place may ignore this fact.

D. **Flood Zone:** Maps identifying the subject's Flood Zone must be included in the appraisal. The Surface Water Quality Standards (SWQS) map provided by the SADC illustrates the flood hazard area specific to the subject property as defined by the New Jersey Department of Environmental Protection's Inland Flood Protection Rule (N.J.A.C. 7:8). If provided, it is the map to be used in the appraisal report instead of the Federal Emergency Management Agency (FEMA) flood map, which has not yet been updated to include New Jersey's recent more stringent regulations. If no SWQS map is provided, the appraiser shall ask the client for it. The appraiser must estimate (on a percentage basis) the areas of the subject property that are impacted by flood hazard areas and consider their importance when making adjustments to sales.

   For information regarding flood zones, click on the following link:
   https://www.fema.gov/blog/fema-flood-maps-and-zones-explained

E. **Tidelands:** Tidelands are a specific type of riparian land for areas located below the mean high-water line where water is flowing or formerly flowed with the tide. In New Jersey, all tidelands not designated in a riparian grant are owned by the state (see also Tidelands Act N.J.S.A. 10:3 and Coastal Zone Management Rules N.J.A.C. 7:7). Therefore, these areas are removed from the gross land calculation in farmland preservation applications. The Appraisal Order Checklist (AOC) should clearly indicate this deduction.

   Waterfront real estate may be a positive locational factor, but Tidelands shall not add to the subject land area. If this deduction is not made in the AOC, the appraiser shall notify the client to clarify this issue and get the proper land size calculations.

F. **Pre-Existing Nonagricultural Uses:** The appraiser must consider and explain any pre-existing nonagricultural uses that will remain in the After valuation. The appraiser shall consider if the non-agricultural use adds to the underlying land value when making adjustments to the comparable sales in both the Before and After valuations. The client should note in the AOC the nonagricultural use(s) that will remain on the property after it is preserved. An appraiser who notices a nonagricultural use that is not indicated on the AOC shall inform the client and get instructions on how to proceed.

G. **Improvements:** Appraisers must photograph each of the subject's improvements separately and briefly describe them and their location on the subject property, which includes those within exception areas.

   Most farmland preservation valuations include land only. However, agricultural improvements are to be valued if the appraiser determines the subject's highest and best use to be agricultural use, and it is located in either the Pinelands, Highlands Preservation or Highlands Planning areas where the municipality is conforming. *See Valuing Agricultural Improvements section of this handbook.*

H. **Tax Assessment:** The appraiser must itemize the subject's tax assessment by tax lot, including land, improvement and total assessed values. Further, the most recent tax rate and equalization ratios must be stated, with the applicable year cited.

I. **Zoning:** The appraiser must identify and describe the subject's zoning. This shall include the minimum lot size, width or frontage, and other bulk area requirements as well as permitted uses or other relevant information such as cluster provisions, steep slopes, or environmental contingencies.

   A copy of the municipality's zoning ordinance referring to the subject's zoning district must be included in the appraisal report. An analysis of the impact on value regarding zoning must also be included. A copy of the zoning map with the subject's location clearly identified is required. This can be located within the zoning section or in the addenda.

PROPERTY VALUATION: BEFORE DEVELOPMENT EASEMENT ACQUISITION (MARKET VALUE UNRESTRICTED)

The following topics must be applied to the Before Valuation. Values in the report must be expressed in dollars per acre based on the gross acreage of the farm. Total values shall be calculated on the net land area (gross area if there are no exception areas).

Highest and Best Use: Building upon previous sections of the appraisal report describing the zoning, community, and the property, discuss in some detail the basis for the opinion of the highest and best use. Both the Highest and Best Use as Vacant and as Improved are required, even though only the land is required to be valued.

Occasionally, significant improvements to the property may impact the value or highest and best use of the underlying land. This shall be discussed; however, the appraiser is only required to value the land.

As explained in *The Appraisal of Real Estate,* the Highest and Best Use Analysis considers the following criteria:

1. Is the use legally permissible?
2. Is the use physically possible?
3. Is the use financially feasible?
4. What is the maximally productive use of the property?

While every appraisal has some standardized text in its Highest and Best Use section, each of the four criteria above shall also be applied to the subject specifically. This includes, but is not limited to, identifying the subject's zoning and its requirements as they relate to the subject, estimating development potential and/or lot yield, and analyzing trends and demand in the subject's local or regional market.

Valuation Approaches: Unless the application is for fee simple interest where the client is purchasing the entire property, the development easement purchased by the Farmland Preservation Program is an interest in land only. While there are exceptions as previously explained, most often it is solely the land value that needs to be derived and reported. Therefore, in most cases, only the Sales Comparison Approach will be used in both the Before and After valuations. Other approaches to value shall be considered, and the appraiser must include a brief explanation as to why the other approaches were inappropriate.

When improvement value or demolition cost is necessary, the Cost Approach can be used.

A. Sales Comparison Approach: This method is based on a comparison of the land component of comparable sales to the subject land.

Comparable Sale(s) Write-up: These shall, at a minimum, include the following information:

a. Grantor/Grantee
b. Deed date
c. Deed book/page
d. Sale price
e. Property size
f. Location (include County, Municipality, Block & Lot and street address)
g. Soil maps for septic suitability
h. Soil classifications with % septic limitations*
i. Frontage/access including the frontage ratio based on gross acreage (feet per acre)
j. Wetlands map & estimated percentage of wetlands
k. Conditions of sale
l. Color photographs**
m. Improvements
n. Utilities
o. Verification
p. Legible copy of tax map ***
q. Zoning including brief description with minimum lot size requirement
r. Intended use of sale

*This must include a septic suitability summary with totals, such as the following:

	Not Limited	**Somewhat Limited**	**Very Limited**
Total	**5%**	**10%**	**85%**

Septic Suitability information can be obtained from the following free websites:

- Web Soil Survey: http://websoilsurvey.nrcs.usda.gov/app/WebSoilSurvey.aspx.

- NJ Conservation Blueprint: https://www.njmap2.com/blueprint/

For written instructions and instructional videos on using these websites, please see the Appraisal section of the SADC website.

Appraisers must rely on these websites for all soils data that is not provided to them by the client, including comparable sales data.

While many helpful photographs (such as wetlands or aerial maps) are available from internet sources such as Google maps and can greatly enhance comparable sale(s) information, **at least one original photo must be taken by the appraiser and included in the report to prove that the appraiser inspected the sale from the street. If possible, include significant improvements in the photo(s). The SADC review staff understands that the view from the street has limitations. The only exception to this would be in the case of landlocked parcels where the appraiser cannot view the property at all from the road. In this case, an aerial photo would suffice; however, the property must be outlined.

***A legible copy of the legal tax map showing lot dimensions with the comparable property outlined or highlighted is required. Tax map overlays of other mapping can be included but are not a substitute for an actual tax map.

A detailed, comparable sales write-up is one of the most important aspects of a farmland preservation appraisal. All of the sale characteristics on the adjustment grid must be clearly listed in the comparable sales write-up in order to minimize errors and allow the SADC review appraisers to check comparable sale characteristics.

The adjustment grid shall not contain any information that is not also included in the sales write-up. The SADC review appraisers reserve the right to require the appraiser to provide such information that is omitted from the sale writeup or adjustment grids.

Characteristics in the adjustment grid such as minimum lot size (zoning adjustment) and frontage ratio (feet per acre) that can be quantified help the reviewer and appraiser determine whether adjustments are appropriate.

Any adjustments to the comparable sale price, such as, for example, improvement value, demolition cost, auction commission or Pinelands Development Credit (PDC) value, must be clearly stated and calculated in the sales write-up. The price per acre stated in the write-up must reflect any of those adjustments. Finally, the sale price and price per acre on the adjustment grid must match what is explained in the sales write-up.

The following is a sample format to be used in the sale(s) write-up. Using this example, the adjustment grid shall reflect a sale price of $345,000 and price per acre of $6,900:

$400,000 Sale price per deed
+ 20,000 Auction commission paid by buyer
- 75,000 Contributory value of the improvements
$345,000 Adjusted Sale Price
$6,900 per acre (50 acres)

Minimum Number of Comparable Sales: The appraisers are required to use a minimum of **four (4)** comparable sales. If less than four comparable sales are used, the appraiser must explain why. SADC review staff will consider if there is a reason that sales are scarce but reserves the right to require the appraiser to add a sale or sales if available. Appraisers are encouraged to share comparable sales data with one another, as it is public record, to improve the overall appraisal work product with the best information available. The SADC also maintains a list of sales that are provided to the SADC approved appraisers.

A pending sale or active listing may be used as a comparable, in addition to the four (4) sold transactions.

Age of Comparable Sales: The appraisers are required to use a minimum of three sales that took place within five years of the effective date of value. There are situations where older sales are excellent comparable sales that could be used, but at least three sales within the past five years are required. The SADC review staff will consider if there is a reason that recent sales are limited and reserves the right to require the appraiser to add a sale or sales if available.

Adjustments: Adjustments shall be made for salient characteristics in the market, which may or may not include, e.g., date of sale, financing, location, soil characteristics and zoning (See recommended adjustment grid on a following page). If a sale is improved, the appraiser must consider making appropriate adjustments when comparing the sale to the subject farm. A sufficient explanation for the adjustments must be contained in the report. When the subject property has no subdivision approvals, comparable sales that have received approval for subdivision or that were sold on a contingency basis (subject to approvals) should be adjusted accordingly with appropriate reasoning stated.

The appraiser must utilize sales that most closely resemble the characteristics of the subject property. In the reconciliation, discuss sales thoroughly and indicate which sales were emphasized when appropriate.

Land size adjustments must be based on the subject's gross land size.

Large adjustments (in excess of 20%) may be necessary, but a more detailed explanation of the adjustment shall be provided. The appraiser must be aware of the gross adjustment to sales, as it may be a measure of the appropriateness of the sale itself. The appraiser shall add reasoning when there are unusually high single and gross adjustments.

Coombs Farm, Salem County

The “Other” adjustment category should be used for unique features, such as view, irrigation, or any other characteristic that may be specific to the subject that does not fall into any other category.

The appraiser must state each comparable sales’ characteristics in the adjustment grid. For example, if the comparable sale has 25% wetlands, that must be stated in the grid, as well as the sale write up. It is unacceptable to use terms like “comparable”, “inferior” or “superior” unless the detail is also stated. (See sample grid on a following page).

If the appraiser chooses to combine two adjustment categories, they must identify the two components in the adjustment grid for the subject and each of the comparable sales. Additionally, they must explain how much adjustment is given to each of those categories in the explanation of adjustments. For this reason, it may be easier to have two separate adjustment categories, but that is within the appraiser’s discretion.

> <u>Example:</u> Since shape and frontage ratio are often related, these two categories may be combined. However, each must be considered independently for its impact on the subject’s development potential. For instance, the appraiser should consider what impact the subject’s shape has on its ability to double load lots along a new interior road. Further, the adjustments must be explained separately in the explanation of adjustments.

The categories shown in the following adjustment grid are <u>highly recommended when the highest and best use of the subject is current/future residential development.</u> Others may be included to suit the specific characteristics of the subject property.

UNRESTRICTED LAND SALES ANALYSIS

	SUBJECT	SALE 1		SALE 2		SALE 3		SALE 4	
Property Address	Spring Road Millstone	Long Road Millstone		Lamp Road Millstone		Beaver Road Millstone		Downe Road Millstone	
Owner / Grantor	Farmer Chen	Farmer Smith		Farmer Jackson		Farmer Ramirez		Farmer Patel	
Size in Acres	100.0	100.0		100.0		100.0		100.0	
Date of Sale	NA	00/00/00		00/00/00		00/00/00		00/00/00	
Sale Price - Land Only		$100,000		$100,000		$100,000		$100,000	
Sale Price / Acre	NA	**$1,000**		**$1,000**		**$1,000**		**$1,000**	
Property Rights		Fee Simple	0%	Fee Simple	0%	Fee Simple	0%	Fee Simple	0%
Adjusted Value		$1,000		$1,000		$1,000		$1,000	
Condition of Sale		Arms Length	0%	Arms Length	0%	Arms Length	0%	Arms Length	0%
Adjusted Value		1,000		1,000		1,000		1,000	
Financing Terms		At Market	0%	At Market	0%	At Market	0%	At Market	0%
Adjusted Value		1,000		1,000		1,000		1,000	
Market Conditions		Similar	0%	Similar	0%	Similar	0%	Similar	0%
Adjusted Value		1,000		1,000		1,000		1,000	
ADJUSTED PRICE / ACRE		**$1,000**		**$1,000**		**$1,000**		**$1,000**	
Location	Average	Average	0%	Average	0%	Average	0%	Average	0%
Size in Acres	100.0	100.0	0%	100.0	0%	100.0	0%	100.0	0%
Shape / Frontage per Acre	Flag / 5	Flag / 5	0%	Flag / 5	0%	Flag / 5	0%	Flag / 5	0%
Topography	Gentle Roll	Gentle Roll	0%	Gentle Roll	0%	Gentle Roll	0%	Gentle Roll	0%
Zoning	AR (3 ac min)	AR (3 ac min)	0%	AR (3 ac min)	0%	AR (3 ac min)	0%	AR (3 ac min)	0%
Easements	None	None	0%	None	0%	None	0%	None	0%
Wetlands (%)	25%	25%	0%	25%	0%	25%	0%	25%	0%
Soils (% Very Limited)	25%	25%	0%	25%	0%	25%	0%	25%	0%
Public Water / Sewer	None	None	0%	None	0%	None	0%	None	0%
Other	None	None	0%	None	0%	None	0%	None	0%
Net Adjustment			0%		0%		0%		0%
INDICATED VALUE PER ACRE		**$1,000**		**$1,000**		**$1,000**		**$1,000**	
Total Gross Adjustments			0%		0%		0%		0%
Total Net Adjustments			0%		0%		0%		0%
Mean Price/Acre Unadjusted		$1,000							
Mean Price/Acre After Adjustment		$1,000							
Estimated Value per Acre		**$1,000**							

The above grid is in Excel format. A copy is available on the Appraisal portion of the SADC website. Use the following link:

https://www.nj.gov/agriculture/sadc/documents/appraisals/BEFORE%20adjustment%20grid.xlsx

B. Subdivision Method: The subdivision method for calculating value is generally <u>not</u> recommended. However, it may be used when the subject property has preliminary or final development approvals, **but only as a check on the Sales Comparison Approach**. In the absence of approvals, the client may, with prior SADC approval, develop a site plan and engineering report for the appraiser to consider in analyzing the property using this method.

The SADC will consider a request to use the subdivision method only if the appraisers provide the following to the client and to the SADC:

(1) written certifications that there is a compelling need for this method,
(2) a detailed description of the reasons justifying the compelling need.

Should a client seek to use the subdivision method and the SADC approve it, the client is responsible for hiring the appropriate professionals to produce the detailed engineering and environmental assessment work called for in this handbook. <u>The SADC will not accept work done by, or for, the landowner for these purposes</u>.

In order to accept such an assignment, the appraiser must satisfy the competency rule in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and notify the client prior to acceptance of the assignment if they are unable to satisfy the competency rule.

The appraiser must perform a full feasibility analysis of the proposed project in accordance with standards outlined and approved by the SADC. The following steps must be completed:

1. A full development report must be completed by an appropriate professional, such as an engineer or planner. The report shall include plans, septic suitability tests, Environmental Analysis, and detailed infrastructure costs. This report must include language indicating that there is a reasonable probability of site plan and subdivision approval without the need to obtain variances.

2. The appraisal must contain or reference a full Feasibility Study on the project, including property productivity analysis, market delineation, demand analysis, competitive supply analysis, supply and demand study and capture rate.

3. The appraiser must certify that the site plan utilized was provided by the client and that the appraiser was instructed to consider the site plan for purposes of the analysis as of the effective date of the appraisal, using an extraordinary assumption that it could be subdivided as per the plans (as stated in #1).

4. The appraiser must complete an analysis of raw land sales as well as the lot value analysis and reconcile the two approaches.

C. Income Capitalization Approach: The appraiser may consider this approach; however, it has been the experience of the farmland preservation program that the Income Capitalization method has yielded generally unreliable value estimates for this type of assignment. Generally, farm properties are not purchased by the typical buyer based on rental income. The range of variables, including expenses, enterprise, crop value and methods of depreciation, can result in greater room for error. Additionally, sales comparisons are an actual analysis of buyer/seller transactions. For these reasons, the income capitalization approach is not emphasized. This method may be considered in Fee Simple assignments involving income-producing properties, which rarely arise in the farmland preservation program.

However, there are instances in which the income capitalization approach may be necessary. For example, when perennial crops are required to be valued, and sales of those types of farms are not available, the income approach may be used to determine the value from the crop. *See Valuing Agricultural Improvements section of this handbook.*

Hoh Farm, Warren County

D. Cost Approach: The farmland preservation program generally requires land value and, therefore, this approach usually does not apply. However, this method must be considered in Fee Simple assignments requiring improvement value and also in the instances where agricultural improvements must be valued, as previously described. This method may also be used as a means of determining the contributory value of improvements with comparable sales to extract the land value.

VALUE CONCLUSION: Indicate the final value estimates for the land and discuss how this conclusion was reached. It must include values per acre as well as the total values calculated on the subject's <u>net</u> acreage (or gross acreage if there are no exception areas).

Total value = Concluded per acre rate X Net acreage.

Please limit rounding of the total values to no more than $1,000.

PROPERTY VALUATION: AFTER DEVELOPMENT EASEMENT ACQUISITION (MARKET VALUE RESTRICTED)

Subject Property Description: The appraiser must discuss, without repeating the Before property description, items that are particularly significant to the valuation of the property as encumbered by a development easement. Such items include, but are not limited to, a "plain English" discussion of the deed restrictions and their effect on the subject property, as well as the subject's agricultural characteristics such as, but not limited to, tillable acreage, irrigation, soils and their classification (i.e., Prime, Statewide, or other soil class). The appraiser shall also discuss the proposed exception areas and residential opportunities. The appraiser can refer to the sample deed of easement found on in the appendix of this document or on the SADC website for general information regarding the restrictions, or use the following link:

https://www.nj.gov/agriculture/sadc/farmpreserve/resources/standarddeeds.html

The subject farm appraised as though deed restricted must be identified as a hypothetical condition in the After valuation.

For information regarding exception areas and residential opportunities, see the section of this document titled "Exception Areas and Residential Opportunities".

The impact of the following issues previously identified and discussed in the Before valuation shall be identified and discussed in the After valuation. They are as follows:

Highest and Best Use: Discussion of highest and best use as though the subject is deed restricted. This is a result of the required hypothetical condition that the subject has been deed restricted. In most cases, this will result in agricultural use being the highest and best use.

Careful attention must be paid to the nature of the subject area and the motivating factors typical for buyers in the market for restricted properties. Both the highest and best use as vacant and as improved are required, even though only the land is required to be valued.

As explained in *The Appraisal of Real Estate*, the Highest and Best Use Analysis considers the following criteria:

1. Is the use legally permissible?
2. Is the use physically possible?
3. Is the use financially feasible?
4. What is the maximally productive use of the property?

Again, the highest and best use forms the basis for the valuation and the selection of appropriate comparable sales. The hypothetical condition that the farm is restricted in the After valuation will simplify the highest and best use discussion as, in general, the farm will be restricted to agricultural use. The appraiser shall discuss what type of agricultural uses are most appropriate and shall discuss the use flexibility associated with any proposed exception areas and/or residential opportunities that will be available, all of which will form the basis for selecting and adjusting comparable sales. Appraisers shall consider and discuss the typical buyer profile (e.g., crop farmer, estate farm) for the subject restricted farm as it will help with selecting appropriate sales.

Valuation Approaches: Similarly to the Before value, often, only the value of the land is sought in the After valuation, in which case, the Sales Comparison Approach is to be used. However, if improvements have been valued in the Before, they must be valued in the After, and the Cost Approach can be used to value the improvements.

Proposed residential opportunities and/or exception areas are rights associated with the land (not the improvement value) and their value must be considered when comparing the subject to the comparable sales. Therefore, the appraiser must consider if there is an increment of value attributed to the land as a result of the proposed exception areas as well as residential opportunities on the premises.

Additional Restrictions: Additional restrictions may be requested by two entities: funding partners or by the landowner themselves, such as through the Statewide Formula. All restrictions must be considered in the appraisal process, except for the two offered pursuant to the Statewide Formula.

- For those proposed by other funding partners, such as local or federal governments, including U.S. Fish and Wildlife (USFW) and the Natural Resources Conservation Service (NRCS), the appraiser must consider the impact these restrictions will have on the subject once preserved. These should be identified in the Additional Restrictions section of the Appraisal Order Checklist. Examples of these deed restrictions include, but are not limited to:
    - House size limitations
    - No further division of premises
    - Impervious cover limitations
    - Riparian buffers

However, if the landowner elects to take additional restrictions through the Statewide Formula (noted in the Statewide Formula section of the Application for Farmland Preservation) <u>**those are not considered in the appraisal.**</u>

The Statewide Formula Valuation offers two voluntary deed restrictions:

- 10% impervious cover limit
- 2,500 SF house size limit

Case Farm, Hunterdon County

These additional restrictions apply only to the Statewide Formula; the landowner is not eligible for these restrictions under the traditional easement offer. Therefore, these restrictions are not to be considered in the After value of the appraisal for the subject.

It is important to note, however, that once preserved these are deed restrictions that must be considered when using these farms as comparable sales in the After valuation. The appraiser is strongly encouraged to always read the sale's deed of easement to determine what deed restrictions a property has as it may impact its value.

Adjustments for additional restrictions, if necessary, shall be made in the Property Rights category.

A. Direct Sales Comparison Approach: The general procedure for estimating deed restricted value is the same as estimating unrestricted values. The intent of this valuation is to demonstrate value for a land parcel, which is limited in utility (by virtue of legal restrictions). The following categories of land sales are recommended as useful value indicators:

Deed Restricted Properties: The comparable sales utilized in the Sales Comparison Approach should be properties that are limited by a development easement, conservation easement or similar deed restriction placed against the title of the property.

Limited Utility Properties: The comparable sales can also be limited for development potential due to their zoning requirements or physical constraints. Be sure to understand the nature and limits of the restrictions on these sales so appropriate comparisons can be made.

Comparable After Sale(s) Write-up: These shall, at a minimum, include the following information:

a. Grantor/Grantee
b. Deed date
c. Deed book/page
d. Sale price
e. Property size
f. Location (include County, Municipality, Block & Lot and street address)
g. Soil maps for agricultural classifications
h. Agricultural soil classifications (e.g. % Prime)*
i. Tillable soils can be estimated by visual examination of cleared farm fields shown on aerial mapping.
j. Wetlands map & estimated percentage of wetlands. Wetlands can be estimated by visual examination of a map with wetlands overlay.
k. Conditions of sale
l. Color photograph(s)**
m. Residential Opportunities/Exceptions (discuss type and number of residential opportunities and exception areas; if none, this must be noted)
n. Utilities
o. Verification
p. Legible copy of tax map, with the property identified***
q. Zoning – Only needed if it is not a deed restricted sale.

SADC's list of preserved farms is a good resource for estimating some of the above physical characteristics for comparable sales.

*This must include an agricultural summary with totals, such as the following:

	Prime	**Statewide**	**Local**	**Tillable**
Total	**85%**	**10%**	**5%**	**85%**

This information can be obtained from the following free websites:

- Web Soil Survey: http://websoilsurvey.nrcs.usda.gov/app/WebSoilSurvey.aspx.
- NJ Conservation Blueprint: https://www.njmap2.com/blueprint/

For written instructions and instructional videos on using these websites, please see the Appraisal section of the SADC website.

Appraisers must rely on these websites for all soils data that is not provided to them by the client, including comparable sales data. Information can be obtained from the above websites for agricultural soil classifications.

**While many helpful photographs (such as wetlands or aerial maps) are available from internet sources such as Google maps and can greatly add to comparable sale(s) information, at least one original photo must be taken by the appraiser and included in the report to prove that the appraiser inspected the sale from the street. If possible, include significant improvements in the photo(s). The SADC review staff understands that the view from the street has limitations. The only exception to this would be in the case of landlocked parcels where the appraiser cannot view the property at all from the road. In this case, an aerial photo would suffice; however, the property needs to be outlined.

***A legible copy of the legal tax map showing lot dimensions with the comparable property outlined/highlighted is a requirement. Tax map overlays of other mapping can be included but are not a substitute for an actual tax map.

As indicated in the Before valuation section, a detailed, comparable sale(s) write-up is one of the most important aspects of a farmland preservation appraisal. All of the sale characteristics on the adjustment grid must be clearly listed in the comparable sale(s) write-up in order to minimize errors and allow the SADC review appraisers to check comparable sale characteristics.

The adjustment grid shall not contain any information that is not also included in the sale(s) write-up. The SADC review appraisers reserve the right to require the appraiser to provide such information that is omitted from the sale writeup or adjustment grids.

Characteristics that can be quantified in the grid, such as agricultural soils and tillable percentages, help the reviewer and appraiser check if adjustments are appropriate.

Any adjustments to the comparable sale price, such as, for example, improvement value, demolition cost or auction commission, must be clearly stated and calculated in the sales write-up. The price per acre stated in the write-up must reflect any of those adjustments. Finally, the sale price and price per acre on the adjustment grid must match what is explained in the sale(s) write-up.

The following is a sample format to be used in the sale(s) write-up. Using this example, the adjustment grid shall reflect a sale price of $345,000 and price per acre of $6,900.

$400,000 Sale price per deed
+ 20,000 Auction commission paid by buyer
- 75,000 Contributory value of the improvements
$345,000 Adjusted Sale Price
$6,900 per acre (50 acres)

Minimum Number of Comparable Sales: The appraisers are required to use a minimum of **four (4)** comparable sales. If less than four comparable sales are used, the appraiser must explain why, and the SADC review staff will consider if there is a reason that sales are scarce and reserves the right to require the appraiser to add a sale or sales if available. Appraisers are encouraged to share comparable sales data with one another, as it is public record, to improve the overall appraisal work product with the best information available. The SADC also maintains a list of sales that are provided to the SADC approved appraisers.

A pending sale or active listing may be used as a comparable, in addition to the four (4) sold transactions.

Age of Comparable Sales: The appraisers are required to use a **minimum of three sales** that took place **within five years** of the effective date of value. There are situations where older sales are excellent comparable sales that can be used, but at least three sales within five years are required. The SADC review staff will consider if there is a reason that recent sales are scarce and reserve the right to require the appraiser to add a more recent sale or sales if available.

Adjustments: Adjustments must be made for salient characteristics in the market as it relates to restricted properties. This may or may not include, for example, date of sale, financing, location, agricultural soil characteristics, tillable acreage and residential opportunities/exceptions. If a sale is improved, the appraiser must consider making appropriate adjustments when comparing the sale to the subject farm. Reasonable explanation of adjustments must be contained in the report.

The appraiser shall utilize sales that most closely resemble the characteristics of the subject property as though deed restricted. In the reconciliation, discuss sales thoroughly and indicate which were emphasized when appropriate.

Land size adjustments must be based on the gross land size, regardless of any proposed exception areas. Large adjustments (in excess of 20%) may be necessary, but a more detailed explanation of the adjustment must be provided. The appraiser shall be aware of the gross adjustment to sales as it may be a measure of the appropriateness of the sale itself. The appraiser shall add discussion/reasoning when there are unusually high single and/or gross adjustments.

The use of the following grid is <u>highly recommended for the After valuation</u>. These are the suggested adjustment categories; however, others may be included to suit the specific characteristics of the subject property.

RESTRICTED LAND SALES ANALYSIS

	SUBJECT	SALE 1		SALE 2		SALE 3		SALE 4	
Property Address	Spring Road Millstone	Uptown Road Millstone		Main Road Millstone		Sutton Road Millstone		Hillside Road Millstone	
Owner / Grantor	Farmer Bill	Farmer Ron		Farmer Greg		Farmer Paul		Farmer Jane	
Farm Size in Acres	100.0	100.0		100.0		100.0		100.0	
Date of Sale	NA	00/00/00		00/00/00		00/00/00		00/00/00	
Sale Price - Land Only		$100,000		$100,000		$100,000		$100,000	
Sale Price / Acre	NA	**$1,000**		**$1,000**		**$1,000**		**$1,000**	
Property Rights		Restricted	0%	Restricted	0%	Restricted	0%	Restricted	0%
Adjusted Value		$1,000		$1,000		$1,000		$1,000	
Condition of Sale		Arms Length	0%	Arms Length	0%	Arms Length	0%	Arms Length	0%
Adjusted Value		1,000		1,000		1,000		1,000	
Financing Terms		At Market	0%	At Market	0%	At Market	0%	At Market	0%
Adjusted Value		1,000		1,000		1,000		1,000	
Market Conditions		Similar	0%	Similar	0%	Similar	0%	Similar	0%
Adjusted Value		1,000		1,000		1,000		1,000	
ADJUSTED PRICE / ACRE		**$1,000**		**$1,000**		**$1,000**		**$1,000**	
Location	Average	Average	0%	Average	0%	Average	0%	Average	0%
Size in Acres	100.0	100.0	0%	100.0	0%	100.0	0%	100.0	0%
Topography	Gentle Roll	Gentle Roll	0%	Gentle Roll	0%	Gentle Roll	0%	Gentle Roll	0%
Tillable Acres (%)	75%	75%	0%	75%	0%	75%	0%	75%	0%
Soils (% Prime)	75%	75%	0%	75%	0%	75%	0%	75%	0%
Resid Opp/Except	1 RO/2 Exc	1 RO/2 Exc	0%	1 RO/0 Exc	0%	1 RO/2 Exc	0%	1 RO/1 Exc	0%
Other	None	None	0%	None	0%	None	0%	None	0%
Net Adjustment			0%		0%		0%		0%
INDICATED VALUE PER ACRE		**$1,000**		**$1,000**		**$1,000**		**$1,000**	
Total Gross Adjustments			0%		0%		0%		0%
Total Net Adjustments			0%		0%		0%		0%
Mean Price/Acre Unadjusted		$1,000							
Mean Price/Acre After Adjustment		$1,000							
Estimated Value per Acre		**$1,000**							

The above grid is in Excel format. A copy is available on the Appraisal portion of the SADC website. Use the following link:

https://www.nj.gov/agriculture/sadc/documents/appraisals/appraisalsAFTERadjustment%20grid.xlsx

B. Income Capitalization Approach: The appraiser may consider this approach; however, it has been the experience of the farmland preservation program that the Income Capitalization method has yielded generally unreliable value estimates for this type of assignment. Generally, farm properties are not purchased by the typical buyer based on rental income. The range of variables, including expenses, enterprise, crop value and methods of depreciation, can result in greater room for error. Additionally, sales comparisons are an actual analysis of buyer/seller transactions. For these reasons, the income capitalization approach is not emphasized. This method may be considered in Fee Simple assignments involving income-producing properties, which rarely arise in the farmland preservation program.

Van Meter Farm, Cumberland County

However, there are instances in which the income capitalization approach may be necessary. *See Valuing Agricultural Improvements section of this handbook*. If agriculture is determined to be the Highest and Best Use in the Before, AND the subject is in the Pinelands or Highlands, AND there are perennial crops such as blueberries, cranberries or an orchard, those crops will need to be valued. If sales of those types of farms are not available, the income approach may be used to determine the value from the crop.

C. Cost Approach: The farmland preservation program generally requires land value and, therefore, this approach usually does not apply. However, this method must be considered in the instances where agricultural improvements must be valued, as previously described. This method may also be used as a means of determining the contributory value of improvements with comparable sales to extract the land value.

VALUE CONCLUSION: Indicate final value estimate for the land and discuss how this conclusion was reached. It must include values per acre as well as total values based on the subject's <u>net</u> acreage (or gross acreage if there are no exception areas).

Total value = Concluded per acre rate X Net acreage

Please limit rounding of total values to no more than $1,000.

FINAL ESTIMATE OF DEVELOPMENT EASEMENT VALUE

The difference between market value unrestricted (Before) and market value restricted (After) of the land represents the value of the development easement. This conclusion must be presented on a per acre basis based on the gross land area. A total dollar figure is also required, which is calculated on the net acreage (or gross acreage if there are no exception areas).

The calculation of the total Development Easement Value is as follows:

> Easement value per acre X Net acreage = Development Easement Value Total
>
> **Note:** The Development Easement Total should not be the difference between the Before and After totals as rounding can skew the total easement value. The total value of the Development Easement should be calculated by multiplying the net acres (gross if there are no exception areas) by the easement per acre rate. The total value can be rounded if deemed appropriate.
>
> Please limit rounding of per acre values to the nearest $100 per acre, and total values to the nearest $1,000.

Discussion of the rights represented by this value conclusion shall be recapitulated as well as changes in highest and best use of the unrestricted property versus the restricted property. In short, the major points of the report must be summarized leading the reader to the same conclusion as the appraiser.

The following is a sample format that can be used:

	PER ACRE	TOTAL*
ESTIMATE OF PROPERTY VALUE BEFORE:	________	_________
ESTIMATE OF PROPERTY VALUE AFTER:	________	_________
ESTIMATE OF DEVELOPMENT EASEMENT VALUE:	________	_________

*** Total values are based on net acres. Gross acres are only to be used to calculate totals if there are no exception areas.**

ADDENDUM

The report must contain the following, at a minimum, which may be included in the body of the report or the addendum:

Subject Location Map: This map must clearly indicate the subject location and its relevant region.

Comparable Sales location map (Before): This shall be one map that includes both the location of the subject and the location of all the comparable sales so that the relative distance of all the sales from the subject can be viewed.

Comparable Sales location map (After): This shall be one map that includes both the location of the subject and the location of all the comparable sales so that the relative distance of all the sales from the subject can be viewed.

Subject property tax map: This must be a legible tax map with lot measurements and clearly outline/highlight the subject tax parcel(s). Tax map overlays of other mapping or aerial photos can be included but are not a substitute for an actual tax map.

Subject zoning map and ordinance: A copy of the subject's current zoning map must be included, with the subject identified. A copy of the relevant portion of the municipality's zoning ordinance must also be included.

Additional Subject Mapping: The following maps are required for the subject and should be provided by the client. For all mapping, the subject shall be clearly indicated, either by outlining, highlighting, or other appropriate method.

Soils maps: Maps of both the subject's septic suitability and farmland classifications should be provided by the client. If not, these maps can be obtained from NRCS Web Soil Survey or NJ Conservation Blueprint.

Flood maps: The SADC provides Surface Water Quality Standards map, which is to be used as the subject's flood plain map. While maps may be obtained from the FEMA website, the NJ Department of Environmental Protection's standards are stricter than federal standards, which must be illustrated on the subject's map. Additionally, NJFloodmapper.org may be utilized; however, NJ DEP's additional flood regulations must be added by the user.

Topographic maps: These maps are not required, unless the appraiser adjusts for this characteristic. If the appraiser opines that adjustments are necessary, the appraiser shall include topographic maps for both the subject and the sales to illustrate the differences for which the adjustments were made, unless the differences are evidenced in the appraiser's photographs included in the report. These maps can be obtained from NJ Conservation Blueprint or other authoritative source.

Wetlands Map: This can be an SADC or county issued map, or also obtained from NJDEP's GeoWeb or NJ Conservation Blueprint websites. A wetlands LOI may also be included.

Subject property photos: Photos must include the following and be labeled appropriately:

1. Views of the subject street(s)
2. Overall view of the farm from the street(s)
3. Different farm views from various points and directions within the farm
4. Individual photos of all significant subject buildings, this not only serves the appraisal, but it is also helpful for stewardship of the farm in the future.
   a. Include buildings in proposed exception areas.
   b. Each building photo must be labeled with a unique descriptive title (no duplicates). In other words, not three photos all labeled "improvements" or "barns". Examples of acceptable labels: Hay barn, 3-sided equipment barn, 40-stall stable
      i. If there is more than one photo of the same improvement, the description must include the view and its descriptive title. This will distinguish between multiple improvements and multiple views of the same improvement. Examples: Front view of Hay Barn, Rear view of Hay Barn or Front view of 40-stall stable, Side view of 40-stall stable

When the subject improvements are required to be valued, additional photos (e.g. interior) and/or description will be necessary to support the appraiser's concluded improvement value.

The appraiser shall contact the client if significant structures (especially dwellings regardless of condition and possible non-agricultural uses) are found on the premises to be preserved or in the exception area that are not in the application or Appraisal Order Checklist.

Reference materials, studies, articles, or other data: This refers to whatever relevant sources the appraiser may have used in the report, including but not limited to the subject deed, resolutions, or other important source materials.

Sample Deed of Easement: This can be found on the SADC website:
https://www.nj.gov/agriculture/sadc/farmpreserve/resources/standarddeeds.html

Application for Farmland Preservation and Signed Appraisal Order Checklist: This should be provided by the client. If not, the appraiser shall ask the client to provide it.

SADC preliminary or "Green Light" letter: If applicable, this should be provided by the client. If not, the appraiser shall ask the client to provide it.

Appraiser's Qualifications: A resume-type document that indicates the appraiser's experience and qualifications to perform the appraisal.

Appraiser's License: A legible copy of the appraiser's current license.

Valuing Agricultural Improvements

These instructions apply to all applications except for Fee Simple applications. *For those applications specified as Fee Simple, see instructions in the Fee Simple Applications section of this handbook on a subsequent page.*

While most farmland preservation appraisals value land only, there are some instances where agricultural improvements will be included in the farmland preservation appraisals, which will be in both the Before and After scenarios.

Agricultural improvements **shall** be valued if **<u>all</u>** of the following apply:

1. The subject is located in one of the following heavily regulated areas:
    a. Pinelands (Special Ag, Ag Production and Preservation Areas only)
    b. Highlands Preservation area
    c. Highlands Planning area (only if the municipality is conforming, see Highlands section)
2. The appraiser has deemed the subject's highest and best use in the <u>Before</u> valuation to be agricultural use.
3. Improvements are <u>located outside</u> an exception area

Improvements to be valued are those that are integral to the farming operation. They must be valued using a cost approach where construction costs are estimated using an index such as Marshall & Swift Valuation Service and then estimating the needed forms of depreciation. The improvements to be valued should be confirmed with the property owner and discussed with the other appraiser for consistency. For example, there may be underground irrigation piping throughout the farm, but some of it runs through the exception area(s), which would be excluded from the valuation. The landowner could confirm the location and length of piping to be excluded. Both appraisers should confer and agree on the length of piping to be valued.

Examples of agricultural improvements include, but are not limited to:

- Semi-permanent, commercially producing, perennial crops, including but not limited to: orchards, vineyards, cranberries, blueberries, blackberries and raspberries.

- 'Short term' perennial crops, including but not limited to the following, are <u>not</u> to be valued:
    - Nursery and Christmas tree stock
    - Strawberries
    - Asparagus
    - Semi-permanent crops that are not or have not been managed for commercial production

- Underground irrigation
- Permanent wells and/or pumps
- Agricultural buildings
- Agricultural Fencing

There may be improvements on the subject farm that are not integral to the farming operation or otherwise do not qualify to be valued. These should be identified on the AOC. If the appraiser has any questions or concerns regarding which improvements are to be valued, they must contact the client.

The following improvements are **<u>never</u>** valued in a farmland preservation <u>easement</u> appraisal:

1. Residential improvements
2. Agricultural labor housing
3. All improvements within exception areas, both severable and non-severable
4. Above-ground equipment (including irrigation) that could readily be moved to other properties
5. Buildings and infrastructure unrelated to agricultural production

Questions to ask the landowner:

1. *Where are the improvements in relation to easement and exception area boundaries?*
   This is important because there may be underground irrigation pipes that run through an exception area, which would not be included in the valuation.
2. *For underground irrigation, what is the water source, e.g., well, pond?*
   Ask for details about wells since they would need to be valued.
3. *How old are the improvements?*
   This could be helpful when estimating depreciation.

For all improvements being valued, the appraisal shall also include, but is not limited to:

- Photographs of each individual improvement, interior as well as exterior of high value improvements
- Size of all improvements (measured in square or linear feet)
- Full description of each improvement, including quality, condition, room descriptions and counts.
- Full cost analysis for each improvement
- Summary of depreciated values for each improvement and a total improvement value

Building sketches are not necessary.

The appraiser must itemize agricultural improvements in the easement area and determine their depreciated value. It is the appraiser's decision how to present the information; however, it must include a description, the cost new per unit, number of units, unit of measure, estimated depreciation, and the depreciated value.

The following is a sample:

Estimated Value of Agricultural Improvements							
Improvement	# of Units	Unit of Measure	Replacement Cost New*	Effective Age (Years)	Estimated Useful Life (Years)	% Depreciated	Depreciated Value
Pumps	2	Each	$ 3,607.00	6	10	60%	$ 2,885.60
10" Irrigation Pipes	3,000	LF	$ 8.76	6	18	33%	17,520.00
Sprinkler heads	280	Each	$ 51.00	6	9	67%	4,760.00
Pump Shed	200	SF	$ 11.11	6	15	40%	1,333.20
Gates	2	Each	$ 618.74	2	15	13%	1,072.48
Fencing	6,200	LF	$ 6.09	2	15	13%	32,723.60
Total Estimated Depreciated Value of Agricultural Improvements							**$ 60,294.88**
*Includes multipliers		Local:	1.25				
		Cost:	1.05				

Before/After Valuation Conclusion Summary

Components of value are required to be itemized in the valuation summaries. The total of all these components must be converted to a blended per acre rate for SADC certification.

The following is a sample value format that could be used in either Before or After scenarios, each of the following components must be included:

Land Value Before/After (100 net acres @ $8,000 per acre)	$800,000
Plus: Depreciated Value of Agricultural Improvements	$25,000
Total Before/After Value	**$825,000**

$825,000 Divided by 100.00 net acres = **$8,250 per acre**

If the appraiser believes that a demolition cost would be anticipated by the typical buyer, a deduction from the underlying land value may be necessary.

Marino Farm, Gloucester County

Exception Areas and Residential Opportunities

Kumpel Farm, Burlington County

Exception areas (often referred to as "exceptions") and residential opportunities are different concepts. A residential opportunity is simply the right to live on the farm. At times these rights overlap, and both can have advantages to the proposed restricted farm. Exception areas often will have residential opportunities, but that is not always the case. Conversely, one exception area can have multiple residential opportunities. Therefore, understanding these concepts, and the distinction between them, is important when adjusting deed restricted comparable sales.

The description of the existing and proposed residential opportunities should be provided by the client to the appraiser within the Application for Farmland Preservation. The information should include maps that identify the size and location of any existing residences and/or exception areas. Any information associated with the proposed exception areas, including conditions, intended uses, and any additional restrictions, should also be included in the Application for Farmland Preservation. These details are important for the appraiser to consider when making adjustments to the comparable sales.

When analyzing deed restricted farm sales, it is beneficial for the appraisers to read the original deed of easement to determine what type and how many exceptions areas and/or residential opportunities apply. This information must be included in the sale write up.

Exception Areas: An exception area is a defined portion of the subject property that will be excluded from the deed of easement restrictions, and as such the acreage will be deducted from the easement consideration. Many farmland preservation applications have designated exception areas. The most common reasons for exception areas are for future residential opportunities and flexibility for nonagricultural uses. However, there can be other reasons, which should be noted in the AOC. Some exceptions have designated restrictions such as the number of housing opportunities. There are two types of exception areas:

1. **Severable Exception:** The exception may be subdivided and sold as a separate lot, subject to municipal approval. There is typically no requirement to subdivide a severable exception prior to, or after, the deed of easement is executed, unless specified in the AOC. The easement holder does not guarantee the approval of the subdivision. **It represents a potential lot without approvals, not a subdivided lot.**

2. **Non-Severable Exception:** The exception cannot be subdivided or sold separately from the remaining premises.

Patricelli Farm, Mercer County

Valuing Properties with Proposed Exception Areas: It is important to understand how to treat exceptions in the valuation process. In both the Before and After, the gross land area is valued.

Before valuation: The appraiser must value the subject as though there are no exception areas. Therefore, all the adjustment characteristics (e.g., size, frontage, shape, soil percentages) shall be based on a gross land valuation and the exception does not impact the per acre rate at all. However, when calculating the total Before value, the per acre rate must be applied to the net land area as this is land that will not be restricted by all the terms of the deed of easement and thus, SADC does not pay/compensate the owner for the acreage in exception area(s).

After valuation: The gross land is appraised under the hypothetical condition that the deed of easement restrictions with the exception areas and residential opportunities included in the gross property. These conditions form the basis for comparison to the comparable sales in the After valuation. Therefore, all the adjustment characteristics (e.g., size, tillable acreage, soil percentages) must be based on the gross land size. However, when calculating the total After value, the per acre rate must be applied to the net land area as this is land that will not be restricted by all the terms of the deed of easement and thus, SADC does not pay/compensate the owner for exception areas.

Note: There may be situations where the appraiser is instructed not to value the gross land area in the Before and After situations. This may happen when there is a very large exception (such as for a wetlands easement or proposed subdivision) and appraising the gross land area will distort the value of the proposed easement area. This will be explained as a special instruction in the AOC.

Value considerations for the Exception Areas: The value contribution of exception areas is an After value consideration. Appraisers must decide how to adjust for the exception areas depending on whether it is severable or non-severable, as well as their proposed use. Once the farm is preserved with an exception area, the location of that exception area is recorded in the deed and cannot be relocated. Since severable exceptions offer the opportunity to sell off land separately, they may be more valuable than non-severable exceptions. Necessary adjustments can also depend on the specific property and location.

Listed below are some value considerations that appraisers may find helpful:

- The type of exception (severable vs. non-severable) the property will have once preserved.

- If the exception provides for a residential opportunity.

- The type of exception, the opportunities it provides, and whether those opportunities warrant an adjustment to the sales compared to the subject. If so, the appraiser must determine how much of an adjustment is appropriate.

- The potential value associated with the exception areas must be adequately captured by the adjustments, especially with a severable exception that could be subdivided and sold off in the future.

- When there is a severable exception that could be sold off in the future, the appraiser shall consider if there is any other opportunity to reside on the farm and what impact that has.

Residential Opportunity: An existing or future residential building on the easement area of the farm and/or those to be located inside a severable or non-severable exception area.

'Residential Opportunity' is a general term used in the farmland preservation program that means any opportunity to reside on the property. All residential opportunities are important, regardless of their location within or outside of exception areas as the gross land is appraised.

For each appraisal assignment, a summary of residential opportunities can be found on page 1 of the Appraisal Order Checklist and the corresponding detail for these opportunities can be found in the Application for Farmland Preservation. Residential opportunities are property rights associated with a preserved farm. The residential opportunities will form the basis for the residential opportunity adjustments to the restricted comparable sales. Therefore, it is important to define the residential opportunities on the restricted comparable sales as well.

Exception areas and residential opportunities are different concepts although they are often considered in the same adjustment category. The different forms of residential opportunities may involve slightly different adjustments, but that is for the appraiser to consider.

The following are types of residential opportunities and some value considerations:

1. **Existing Residences:** Existing residences can be located either within an exception area or on the proposed easement area. The value of the residential improvements is not included but the residential opportunity likely contributes to the land value of restricted farms. The appraiser must photograph existing structures and notify the client if it is not listed on the AOC. Be careful of homes that are not occupied or are in disrepair that are not listed on the AOC as potential residential opportunities. The appraiser needs to confirm with the client as to how the improvement should be treated. The owner may or may not have the right to renovate, expand or completely rebuild that home. Therefore, an existing residence may be an important residential opportunity in the After valuation regardless of its condition. <u>Existing</u> residences (even on the proposed easement area, outside of any exception area) have no restrictions on occupancy.

2. **Future Residences:** In many cases, future residential opportunities are designated within an exception area(s). The easement holders do not guarantee approval of future residences, but it will be permitted if the owner can obtain other necessary building approvals from the municipality. These are important residential opportunities that are common in farmland preservation applications. If a future residential opportunity is located outside the exception area, it is known as a Residual Dwelling Site Opportunity or RDSO (see #3).

3. **Residual Dwelling Site Opportunities (RDSO):** An RDSO is a specific type of residential opportunity that refers to a future residence(s) on the easement area (outside an exception area). Each RDSO requires approval from the easement holder and/or the SADC <u>and</u> a minimum of 100 acres (without an existing residence). RDSOs were designed to enhance the agricultural operation; therefore, at least one person living in the residence must be actively involved in the farming operation where the RDSO is located. Other than an existing residence and agricultural labor housing (with approvals), an RDSO is generally the only future residence on the preserved acreage that is available. The RDSO's location on the farm is not specified at the time of preservation. Approval of an RDSO by the easement holder and/or the SADC includes consideration whether the location will minimize disturbance of the most agriculturally productive areas. Some RDSOs have a livable area size restriction (most do not) that should be indicated in the AOC and discussed in the appraisal report. For these reasons, many appraisers consider these residential opportunities more restrictive, and contributing less to the land value, than other residential opportunities. This can be considered on a case-by-case basis, as an RDSO may be the owners' future home without size restrictions.

4. **Apartments:** Appraisers must also indicate what existing and future apartments are available to owners after preservation. These may be indicated on the AOC and they can be on the proposed easement area or exception areas. Appraisers can decide if they contribute enough to the land value to warrant adjustment. Generally, these would be considered to have a more subtle contribution to land value than other residential opportunities.

Additional Value considerations for Residential Opportunities: Like exception areas, the value contribution of residential opportunities is an After value consideration. They can be important, as single family residential opportunities will be limited permanently once the property is preserved. The appraisers must make comparisons between the subject and the comparable sales and adjust accordingly. Appraisers shall decide how to adjust for residential opportunities as it will change based on specific property characteristics and location.

The following are some value considerations that appraisers may find helpful:

- In most cases, the appraiser will be appraising the gross subject land to establish a per acre value, so the percentage adjustments associated with residential opportunities may be tempered based on the size of the farm.

  For example, one residential opportunity adjustment may be worth more on a 15-acre farm than on a 200-acre farm <u>on a percentage basis</u>.

- Consider the number of residential opportunities when making percentage or dollar adjustments. An adjustment for a third residential opportunity may have less of a value impact than the first residential opportunity.

  For example, an adjustment for the difference between 0 and 1 residential opportunity may be significant, as it represents the ability or inability to reside on the farm. On the other hand, the adjustment between 2 and 3 residential opportunities, may be more subtle (law of diminishing returns).

- Consider the typical buyer of the subject farm and the residential desirability of the area. Typical buyers may weigh residential opportunities differently.

  For example, a production crop farmer in a rural area with relatively low residential values may not find residential opportunities that important, and therefore, they may carry less value. In expensive residential areas the typical buyer may not be interested in production farming and may be purchasing it for an estate farm where the residential component is more important. In fact, a farm sale with no residential opportunity in an expensive residential area may not be a good comparable sale, as the necessary adjustment could be too high.

Hypothetical Conditions and Extraordinary Assumptions

As previously stated in this handbook, atypical hypothetical conditions and extraordinary assumptions are **prohibited**, unless ordered by the client **and** approved by the SADC as properties for farmland preservation are to be appraised in "as is" condition.

However, in some cases, a hypothetical condition or extraordinary assumption may be necessary. Atypical hypothetical conditions that have been ordered/approved by the client and the SADC should be clearly indicated in the special instructions/conditions in the Appraisal Order Checklist and also noted in the appraisal report. These may be inconsistent with the "as is" condition of the property being appraised.

For example, in farmland preservation the application sometimes will be predicated on an area to be subdivided off prior to closing. In that case, the subject property is different than what currently exists, so there would be a special instruction noted in the AOC to use a hypothetical condition specifying that a portion of the property has already been subdivided.

> **Note:** An assumed subdivision is different than a typical severable exception. A severable exception is part of the gross subject property for valuation purposes. It is the right to attempt a subdivision, but not a guarantee. Severable exceptions represent potential lots, not assumed existing lots.

A hypothetical condition or an extraordinary assumption must be prominently identified as such in the Letter of Transmittal, Scope of Work, Certification of Value and Assumptions and Limiting Conditions sections of the appraisal.[11]

If the appraiser feels a hypothetical condition or extraordinary assumption is necessary, and it has not been previously identified, the appraiser is to contact their client. For one to be considered, it must be authorized by the client and SADC in written form with authorized signature.

Use of Hypothetical Conditions: The following hypothetical conditions are considered typical in the farmland preservation program and do not require client and SADC authorization:

- In a New Jersey Highlands appraisal involving a dual valuation, one of the values is based on a hypothetical condition that the zoning and environmental conditions in place as of January 1, 2004 are still in effect. Eligibility for this provision will be noted in the AOC.

[11] USPAP 2024, Standards Rule 1-2(f)

- In a New Jersey Pinelands appraisal involving Pinelands Development Credits (PDCs) the After value requires a hypothetical condition that a given number of PDCs have been severed/sold. Eligibility for this provision will be noted in the AOC.

- The After value being predicated on the subject being deed restricted to agricultural use via a deed of easement.

- In rare cases, the subject property may have already been preserved. Then, a hypothetical condition is needed for the Before value consideration that would assume the property is not preserved.

Use of Extraordinary Assumptions: Extraordinary assumptions may be used <u>only</u> when necessary for completion of the assignment. <u>All</u> extraordinary assumptions shall be submitted to and approved by the SADC review staff prior to the completion of the assignment. All extraordinary assumptions shall be reasonable. Extraordinary assumptions that assume a future event (such as land use approvals) that can change the risk level or the market value are prohibited. In general, the appraiser shall estimate the market value based on the subject's existing conditions (as-is) with the buyer assuming the risk of future approvals and/or events.

Appraising farms "as is" may be difficult in areas where there is significant development pressure as typical buyers purchase property "subject to approval" to minimize their risk. Many comparable sales may be purchased "subject to approval" but an adjustment is generally warranted. The appraiser can add an approval adjustment category to the Before adjustment grid to apply such adjustments. Also, if there are sales without approval conditions, they may add to a credible valuation.

Barretstown Joy Farm, Hunterdon County

Access Conditions: Appraisers cannot assume access to a subject property over other lands not included in the application, even if owned by the applicant. The appraiser may only consider such access when required by the client, with SADC approval. This condition should be included in the special instructions/conditions in the Appraisal Order Checklist. If there is an existing access over adjoining lands and the appraiser is instructed to assume that it can continue, it may be an extraordinary assumption. If there is a proposed access, and the value is based on it being in place, then such access may be a hypothetical condition. Either way, it must be clearly noted as a condition of the valuation.

Other Appraisal Considerations, Guidelines, and Requirements

SADC Appraisal Review Considerations: Appraisal review considers the completeness, accuracy, adequacy, relevance and reasonableness of the appraisal under review. [12] All the review considerations are important but based on the information provided in the appraisal report, the conclusions must be reasonable.

Subject Sales and Listings: Recent subject sales must be considered for use as a comparable sale as they are direct market evidence that may help with the overall valuations and can form the basis for checking the reasonableness of the valuations. Recent subject sales and listings must be fully analyzed, not just reported[13], regardless of their use as a comparable sale. The appraisers are not required to use the subject sale, but if not used, the appraiser must include the detailed reasons for excluding it.

For example, the subject may have sold at a 20% discount for condition of sale, which may seem like it is not a good comparable sale. However, if the other sales available require gross adjustments of, for example, 40% or more, the subject sale still may be one of the best indicators of value.

Gross Adjustment as a Measure of the Quality of a Comparable Sale: Appraisers shall be aware of the gross adjustment of the comparable sales, not just net adjustments. There are times when sales are scarce and, therefore, less comparable sales that require atypically high gross adjustments are necessary. While there is no restriction on adjustments, the appraiser should consider if more tempered adjustments may be applicable.

Creamer Farm, Cumberland County

[12]USPAP 2024, Standards Rule 3-3

[13]USPAP 2024, Standards Rule 1-5 and Advisory Opinion 1 (AO-1)

For example, if values in a given area are generally between $7,000 and $10,000 per acre, and the unadjusted rates of the comparable sales are within that range, then gross adjustments of over 90% should not be necessary. A typical buyer may not make such adjustments when making a buying decision. Further, if such large gross adjustments are necessary, that sale may not be truly comparable to the subject.[14]

Multiple Lot Applications: A subject property containing multiple lots must be valued as though the entire property (all lots, including non-adjoining lots) are being sold in a single transaction. It is not the value of the lots individually and then totaled, which does not consider a typical market discount for the "bulk" sale. Multiple subject lots may have a positive value increment to the typical buyer of the overall property and that must be considered. We note that USPAP Standards Rule 1-4 cautions against concluding to a value as a sum of the parts that supports this premise.

As Is Value: It is a requirement of the farmland preservation program that the subject be appraised in its "as is" condition, which considers current zoning and development/subdivision approval status. If the subject does not have any development/subdivision approvals, the property is to be valued "as is" where the buyer pays the appropriate price to take on all the risk, time and expense associated with obtaining future approvals.

This "as is" value concept is very important when comparing the subject property to comparable sales with different approval status. For example, a property purchased subject to the buyer obtaining approvals involves less risk than one without any approvals. Likewise, a property with final development approvals already in place involves even less risk and therefore, will require a larger approval adjustment.

Subdivision Approval: If the subject has previously obtained subdivision approval, AND the Green Light Approval and/or Appraisal Order Checklist indicate the subject's approvals may be considered in the appraisal, the appraiser must adequately describe the subject's approvals, including (but not limited to) the number, size and type of units (e.g. 20 one-acre lots for detached single family residential units), resolution number and date, variances (if any), and any other information relevant to the approvals. A site plan shall also be included in the appraisal.

At a minimum, the following must also be addressed:

1. When comparing the subdivision with comparable properties, the appraisers should thoroughly consider and address any significant atypical outstanding contingencies or permits in the subdivision resolutions.

2. If available, specific septic testing supporting building on any of the proposed lots should be submitted and resulted included in the analysis.

[14]*The Appraisal of Real Estate*, Applications of the Sales Comparison Approach - Considerations for Multiple Adjustments

3. The appraiser shall consider the impacts on value resulting from any easements recorded on the property, or any other restrictions on development or use of the property.

   For example, "It appears a XX-acre parcel included in the subdivision was reserved for open space."

4. Appraisers must fully address when the approvals were granted and if the approvals are still in effect.

Pre-existing nonagricultural uses: Any pre-existing nonagricultural uses identified in the AOC must be noted in the appraisal report. The appraiser must determine if there is an impact on the values based on the nonagricultural use(s). These are identified as uses that can continue after the preservation of the farm, so they are important to document and consider. If the appraiser notices any other nonagricultural uses that are not listed in the AOC, the client must be notified so their treatment can be considered. Nonagricultural uses in exception areas must also be noted and considered as to their impact on value, as the gross land is being appraised as of the effective date of value.

Professional Inspection: The farmland preservation program requires the appraisers to do a professional inspection of the subject property. The appraiser is to contact the landowner (or their representative) to schedule an appointment prior to the inspection, which will also facilitate the interview of the owner. The inspection must be an on-site "boots on the ground" inspection by the SADC approved appraiser and any appraiser(s) providing significant assistance is encouraged to attend. The inspection must include photographs (see Subject Property Photo section of the report Addendum). Drive-by inspections are not permitted, unless they are ancillary to the primary inspection. The appraiser's inspection is an excellent check of the details listed on the AOC (e.g., residential opportunities, non-agricultural uses) and any significant discrepancies shall be reported to the client. Appraisers must also understand that a proper inspection can avoid costly and time-consuming appraisal revisions. The appraisal report must identify the date of inspection and those who were present during the inspection as it confirms the appraiser's proper due diligence.

Measurement of Residential Dwellings: While residential dwellings are generally not valued in farmland preservation appraisals, they are required to be measured, sketched and described in the report, regardless of their location on the subject.

Any existing dwellings that are noted on the Appraisal Order Checklist as residential opportunities shall be measured. If there is a house that is in disrepair, and it is not noted in the Appraisal Order Checklist, the appraiser shall confirm with the client if it is to be measured. The appraiser shall not make that determination.

The dwellings must be measured by the SADC approved appraiser and may not be substituted with the tax assessor's property record card, or any other third-party measurement. Sketches of each residential building shall be included in the appendix of the report.

The gross area of both basements and attics shall be measured and photographed. Within these areas, the finished or heated living space shall also be measured and photographed. All of which are to be included in the appraisal report.

When scheduling the site inspection, the appraiser should let the landowner know about the need to access the interior of any residential dwellings. The appraiser is not expected to do a complete interior inspection for condition, quality, room count, etc. The purpose of the interior inspection is solely for the appraiser to determine the area of heated or finished living space, which includes basements and/or attics. If the landowner refuses to permit the appraiser to enter the interior, the appraiser shall do their best to estimate and include an explanation to that effect in the report. The appraiser should ask the landowner, tenant or a representative what finishes exist and to estimate the percentage of the area. Additionally, the appraiser should ask the landowner to email photos of these areas to the appraiser to be included in the report. The landowner will be required to accept the SADC's results prior to the filing of the deed of easement, which will document the amount of heated or finished living space of all existing residential units. Therefore, the interior inspection is the landowner's opportunity for an accurate determination of the residential heated living space.

The improvement section of the report shall include brief descriptions of the residential dwellings that separately details basement and/or attic descriptions. Some examples of acceptable descriptions are as follows:

- Single story dwelling with 1,800 SF of first floor heated living area plus full (1,800 SF) basement with 900 SF of finished basement area.
- 1 ½ story Cape Cod style dwelling with a total of 1,500 SF of heated living area. The appraiser was not permitted entry; according to the landowner there is a full (1,000 SF) unfinished basement.
- 2 ½ story colonial style dwelling with a total of 3,425 SF of heated living area, which includes 500 SF of finished attic space; 100% concrete slab foundation.
- 3 story split level style dwelling with a total of 2,875 SF of heated living area plus partial (800 SF) basement, no finishes.

Landowner Interview: The approved appraiser is the individual required to interview the owner at the time of the primary inspection. Since the owner is the best source of information for the subject farm, the interview is the appraiser's opportunity to gather and confirm information. Farm owners can confirm and provide information such as available utilities, wells and irrigation, dwellings and apartments, nearby farm sales, and existing easements. The landowner's unavailability for an interview must be disclosed in the report.

Appraisers represent the farmland preservation program, which is a voluntary program where owners are selling a large portion of their equity in the farm. The program prides itself on transparency and on owners fully understanding the program. The appraiser can answer landowners' general appraisal questions regarding the program but cannot provide any value conclusions, nor discuss the Statewide Formula Value. Appraisers must also understand that an owner interview can avoid costly and time-consuming appraisal revisions.

Think Like a Typical Buyer of the Specific Farm: When appraising real estate, it is important to think like the typical buyer and the characteristics that are important to buyers in the subject area. The appraiser is to consider if it would generally be purchased for a crop farm or as an "estate farm" based on residential location. Certain adjustment categories in the Before and After valuations are recommended, but the appraiser can modify or add categories (e.g., irrigation, subdivision approval status) based on the typical buyer profile. Providing some additional discussion for unusual situations will be very helpful to the reviewer.

For example, if a farm is in a rural area where the typical buyer is a crop farmer, the agricultural soils characteristic may be as or more important than the septic characteristics. In that case, the appraiser may have both agricultural soil characteristics <u>and</u> septic characteristics in the Before adjustment grid for consideration.

Existing Easements and Other Restrictions: The appraiser shall consider the impacts on value resulting from any significant existing easements recorded on the property, or any other restrictions on development or use of the property in both the Before and After valuations.

Appraisers may not assume that easements that specifically prohibit disturbance and development can be reversed or receive variances.

The appraiser must describe any existing easements. The following must be included in the description:

- Name of easement holder (e.g. PSE&G)
- Size (e.g. 300-foot wide, running the entire depth of the subject)
- Type (e.g. overhead powerline)
- Location (e.g. parallel to the subject's western boundary but bisecting the subject)

Conservation Easements: The appraiser shall not rely on any assurances that such recorded conservation easements or use restrictions can be removed unilaterally by municipal governing bodies, land use boards and/or property owners unless a specific instruction from the client to do so is noted in the AOC.

Appraisal Order Checklist (AOC) and Application for Farmland Preservation

The Appraisal Order Checklist (AOC) is the primary instruction to the appraiser for the farmland preservation appraisal assignment. Recently, the AOC has been changed to be a supplement to the Application for Farmland Preservation and is to be used in conjunction with the application. Collectively, they may be called the "AOC" throughout this handbook. Both are to be read carefully as they may trigger some questions you may have for your client and avoid costly review revisions.

Eastlack Farm, Gloucester County

The following are important points to remember about the AOC and Application for Farmland Preservation:

- Do your due diligence when completing an appraisal assignment and report to your client any significant discrepancies between these documents and your findings.

- Always confirm zoning and minimum lot size requirements as they can change at any time.

- Use the exact gross and net acreage noted in the AOC to calculate the total values in your report. The appraiser shall report significant size differences to the client for instruction on how to proceed. The SADC certifies per acre rates (not total values) and the property will be fully surveyed before being preserved.

- Carefully read the summary and detail of residential opportunities to avoid costly review revisions.

- Read the "Special Instructions" in the AOC carefully for atypical instructions.

See Appendix A for a copy of the AOC and Application for Farmland Preservation.

Fee Simple Applications

While most farmland preservation applications involve the purchase of an easement (where the owner retains ownership of the property), occasionally, it will be the Fee Simple interest in a farm that is purchased.

Regardless of the proposed interest, the farm is to be appraised the same as any other farmland preservation application described in this handbook, unless otherwise specified in the Appraisal Order Checklist. The appraisal must include values for Before, After and Easement in the event there are any changes to the application after the appraisals are completed. For example, a landowner may change their mind or does not accept the fee simple offer; however, they are willing to preserve the farm via a farmland preservation easement.

The main difference in an appraisal for Fee Simple applications is the depreciated value of all the subject improvements must be included regardless of the subject's location within the state. It is important to read the AOC carefully on these assignments prior to bidding to ascertain the scope of work as it could change based on the client's needs.

Highest and Best Use: The appraiser must consider and discuss if existing improvements add to value in the Before and After valuations, which can be done in the Before and After Highest and Best Use sections. In some cases, the improvements may not contribute to value and may require a deduction associated with estimated demolition costs (if significant).

There may be situations where the value of the improvements is the same in the "Before" and "After" valuations but there also may be cases when there are differences, which should be discussed and valued accordingly.

Mummey Farm, Hunterdon County


Danko Farm, Gloucester County

For Example:
Before: *"The highest and best use is warehouse development with the existing house and multiple outbuildings being demolished."*

In this case, the cost of demolishing the existing improvements must be estimated, much like the improvement value (*see Value Conclusion on the following page*), which would be shown as a negative value as that would be a cost incurred by the buyer.

After: *"The highest and best use is continued agricultural use with continued use of the existing house and outbuildings."*

In this case, the depreciated value of the improvements will be estimated (*see Value Conclusion on the following page*) and shown as a positive value as this is added value for the buyer.

Exception Areas: In most cases, there will be no exception areas associated with Fee Simple applications. Therefore, all improvements will be valued.

In some instances, there may be an exception area if a portion of the subject property is not being purchased by the SADC. If this is the case, it will be specified by the client in the AOC and the appraiser may be instructed to use a hypothetical condition that the exception area has been subdivided and not part of the valued subject property.

Residential Opportunities: Existing residential opportunities must be considered in the After value. When there are no existing residential improvements, the After value shall include one future residential opportunity within a non-severable exception area. This special instruction will be noted in the Appraisal Order Checklist.

Improvement Valuation: Since the farm will be purchased in fee, **all** improvements need to be valued.

The improvements must be valued as a typical cost approach where construction costs are estimated using a cost index such as Marshall Valuation Service and then estimating the needed forms of depreciation.

The appraisal shall also include, but is not limited to:

- Photographs of each individual improvement, exterior as well as interior of residences and/or high value improvements
- Square footage of all improvements
- Full description of each improvement, including condition, room descriptions and counts.
- Full cost analysis for each improvement
- Summary of depreciated values for each improvement
- Total depreciated improvement value

Value Conclusion: The concluded total value of the improvements must be listed separately from the land values, and not blended with the per acre rates as the landowner will be offered a per acre rate for the land, and the improvement value separately.

The following is a sample conclusion summary for most appraisals:

	Per Acre	Total
Before	$10,000	$1,000,000
After	$4,000	$400,000
Easement	$6,000	$600,000
Total Depreciated Improvement Value		$500,000

The following is a sample conclusion summary for the instances as in the example HBU on a previous page where the Before involves significant demolition costs but in the After the existing improvements contribute to value:

	Per Acre	Total	Improvement
Before	$10,000	$1,000,000	($80,000)(demolition costs)
After	$4,000	$400,000	$960,000
Easement	$6,000	$600,000	N/A

In conclusion, the appraiser should review the Appraisal Order Checklist carefully to understand the scope of these assignments. There are many similarities to a typical farmland preservation appraisal, but the valuation of the improvements is a significant difference. Appraisers must pay careful attention to any standard language in their reports that contradicts valuing improvements.

Appraising Farms in the NJ Highlands Region for the SADC

Overview

The New Jersey Highlands is part of a four-state, 3.5 million acre, region identified by the federal Highlands Conservation Act. The national Highlands Region includes portions of Connecticut, New York, New Jersey and Pennsylvania.

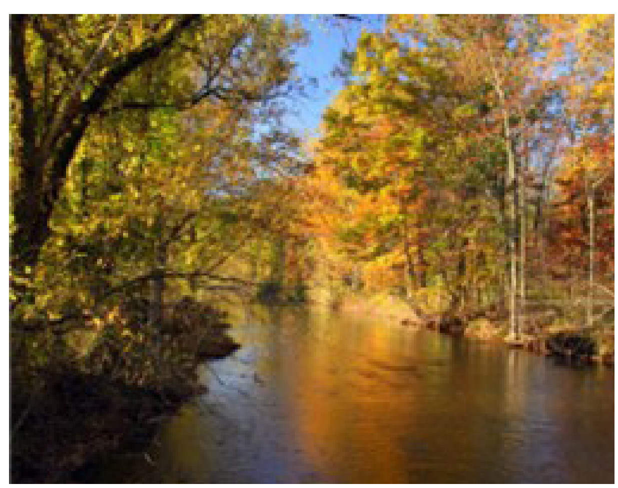
The Highlands Water Protection and Planning Council (Highlands Council) is a regional planning agency that works in partnership with municipalities and counties in the Highlands Region to encourage a comprehensive regional approach to implementing the 2004 Highlands Water Protection and Planning Act (Highlands Act).

These instructions are provided to address issues unique to appraising properties in the NJ Highlands.

***Note*: If the subject farm is in the Highlands but was sold after January 1, 2004, these instructions *do not* apply, and it is treated like any other farmland preservation appraisal.**

The Highlands Act of 2004, P.L.2004, c.120

On August 10, 2004, the Highlands Water Protection and Planning Act was enacted. This legislation designated the 880,000-acre NJ Highlands Region, established the New Jersey Highlands Council (a regional planning agency for the region) and set forth stringent development standards to protect the natural resources of the area. As a result of enhanced environmental restrictions, and corresponding impact on development potential, values of many properties decreased. To protect landowner equity, the legislature created a special appraisal methodology when state funds are used for open space and farmland preservation.



For more information on New Jersey Highlands, please visit their website at:
https://www.nj.gov/njhighlands/

Introduction to Dual Valuation

The Dual Appraisal process was developed to compensate landowners for value lost due to the Highlands Act. Dual valuation means the appraisal will include two Before values for the subject property: one that reflects the current zoning and environmental regulations; and the other representing the zoning and environmental regulations in effect on January 1, 2004. *See the Dual Valuation section of this handbook for instructions.*

Not all properties in the Highlands qualify for dual valuation, however. If the property sold after January 1, 2004, that property does <u>not</u> qualify for dual valuation. Only those properties that have been in the same ownership, or their immediate family members, continuously since the Highlands Act was enacted qualify.

The Appraisal Order Checklist should state if the subject is in the Highlands, whether it is in the Planning Area or Preservation Area, and if it qualifies for dual valuation. If the appraiser finds the subject sold after January 1, 2004 and the AOC indicates the property should have dual valuation, the appraiser must notify their client.

While originally intended to expire in 2009, the expiration date of this special appraisal process has been extended four times, most recently (in 2025) through June 30, 2029. [see P.L. 2019, c.136 (June 26, 2019) C.13:8C-38j.(1), page 16]

This document outlines requirements for appraising a Highlands farm that qualifies for dual valuation.

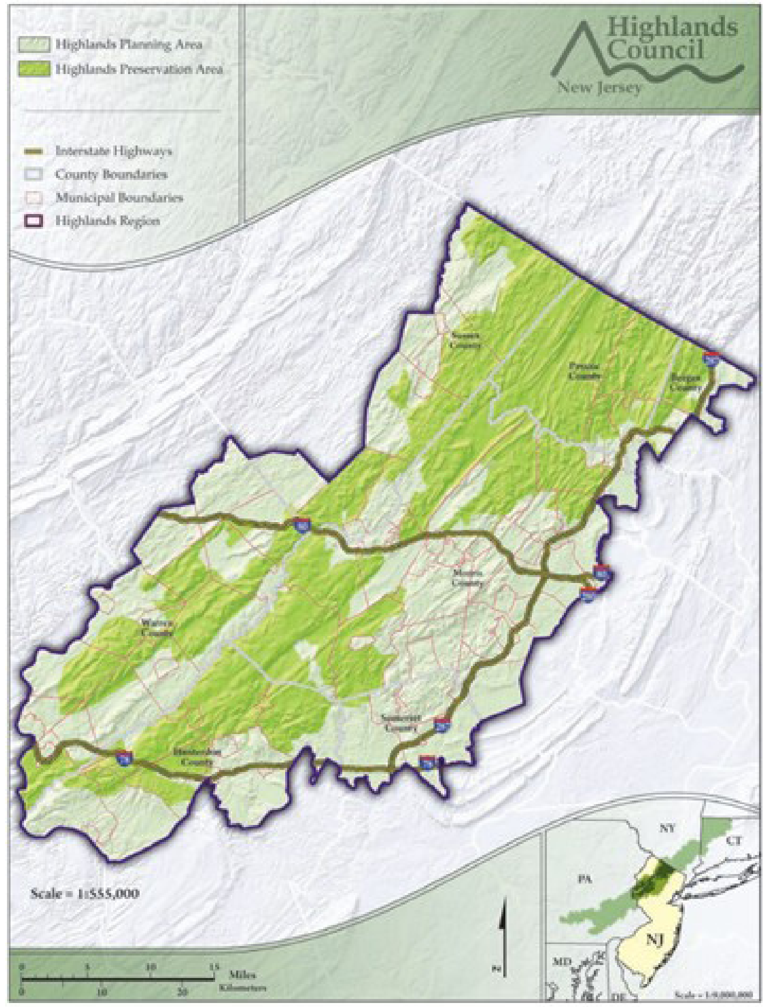
Planning and Preservation Areas

In the Highlands Region, there are two designated areas: the Preservation Area and the Planning Area. The Preservation Area is the more restrictive of the two. In the Preservation Area, municipalities and counties are <u>required</u> to conform their land use regulations to the Highlands Act and development is subject to NJDEP's Highlands Water Protection and Planning Act Rules at N.J.A.C. 7:38-1 et seq. in the Planning Area conformance is voluntary.

The Highlands Region encompasses 88 municipalities in seven counties. Of these 88 municipalities, five are entirely in the Preservation Area, 36 are entirely in the Planning Area and the remaining 47 communities are in both areas.

For a list of all municipalities and the Highlands areas, see the Highlands Regional Master Plan:
https://www.nj.gov/njhighlands/master/rmp/final/highlands_rmp_112008.pdf

The following is a map of the Highlands Region, showing the boundaries of both the Planning and Preservation areas:



Preservation Area

Development is highly restricted in the Highlands Preservation Area. Pursuant to NJDEP's Highlands Water Protection and Planning Act Rules at N.J.A.C. 7:38-1 et seq., appraisers should be aware of constraints, including, but not limited to, the following:

- Subsurface wastewater disposal (septic) densities: N.J.A.C 7:38-3.4 (b);
- Limitations on Impervious surfaces: N.J.A.C 7:38-3.5;
- 300' buffers to Highlands Open Waters: N.J.A.C 7:38-3.6;
- Conditions for development on Flood Hazard Areas: N.J.A.C 7:38-3.7;
- Conditions for development on Steep Slopes: N.J.A.C 7:38-3.8;
- Limitations on disturbance to Upland Forest: N.J.A.C 7:38-3.9

Development densities in the Preservation Area are based on septic capabilities, with the following density requirements described at N.J.A.C 7:38-3.4 (b):

Forested lands = 1 unit per 88 acres
Nonforested lands = 1 unit per 25 acres

For a lot containing both forest and nonforest areas, the total number of allowable individual subsurface disposal systems or equivalent disposal units permitted on the lot shall be determined by calculating the number of acres of the lot that are forest (as determined in accordance with the method at NJAC 7:38-3.9) and dividing that number by 88; calculating the remaining number of acres of the lot that are not forest and dividing that number by 25; and then summing the results.

If the sum results in a fraction, the number shall be rounded down to the nearest whole number in order to determine the number of permitted individual subsurface disposal systems or equivalent disposal units.

Planning Area

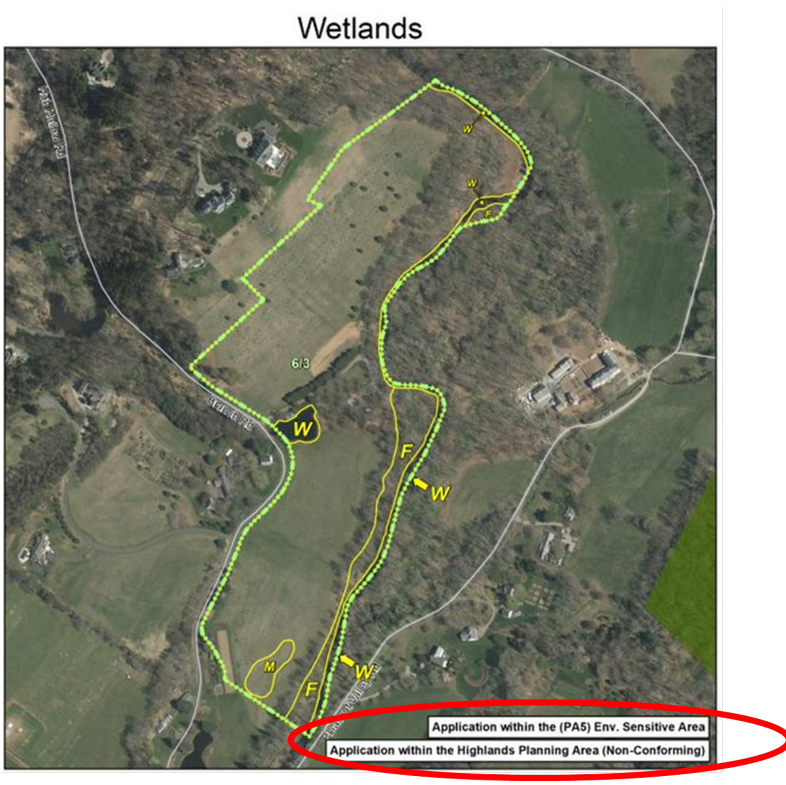
In the Planning Area, Highlands development constraints apply if a municipality has opted to conform to the Highlands Regional Master Plan (RMP).

<u>Conforming Municipalities</u>
Plan conformance is not mandatory in the Planning Area, but when a municipality does decide to conform it must revise local planning and regulatory documents to integrate the land use provisions and resource management protections of the Highlands Act and align with the goals, policies, and objectives of the RMP. Appraiser should review the conforming municipalities adopted Highlands Land Use Ordinance to identify additional development restrictions such as 300’ Open Water buffers and septic density requirements.

Appraisers should note that the enhanced standards associated with RMP Conformance only apply to developments of 3 new residential units or more, or any <u>non</u>-residential development.

<u>Nonconforming Municipalities</u>
If a subject is located in a municipality that has not opted to conform, there may be little difference between the two Before valuations. The municipality may have amended land use requirements since 2004 however so appraisers are encouraged to do their own due diligence.

On SADC mapping, there will be a label in the lower right corner indicating if the municipality is conforming or non-conforming:



Determining Septic Densities

One of the major considerations for properties in conforming municipalities is the septic density standards outlined in the municipalities' respective Highlands Land Use Ordinances.

Determining the subject's septic density is a two-step process. First, the Land Use Capability zone with the Planning Area must be determined using the Highlands Interactive Map. Second, the appraiser must consult the municipality's Highlands Land Use Ordinance to determine the septic system density by zone (i.e., Existing Community zone, Conservation zone, Protection zone).

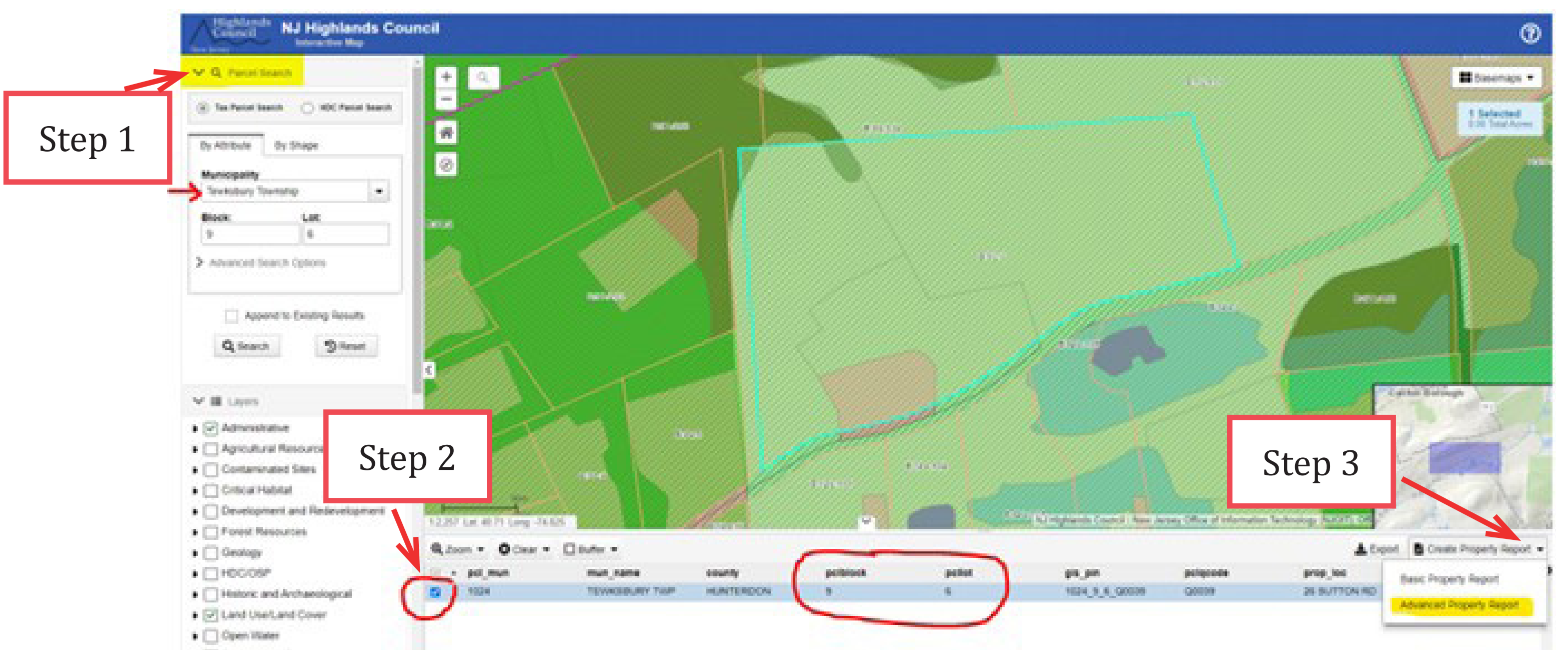
Step One: Use the Highlands Interactive Map to determine the Land Use Capability zone of the subject property:
https://www.nj.gov/njhighlands/gis/interactive_map/#/-74.63256/40.87985/3

See screenshots on a following page for illustrations to go with the following instructions.

1. Use "Parcel Search" to find your property
2. At the bottom of the screen, click the check box next to the property you want
3. Click "Create Property Report", then choose "Advanced Property Report". This report gets generated to your Downloads folder. Within the report will be a list of the Land Use Capability Zones in which the property is located.

Example:

The following is a sample of the Highlands Interactive mapping website that illustrates the instructions given above for accessing the Advanced Property Report to ultimately identify the subject's septic density requirements.



The following is a sample of the Advanced Property Report generated by the Highlands Interactive Map. It shows the example property is located in the Conservation Zone:

Land Use Capability Zones	
Protection Zone (PZ)	0 ac.
Wildlife Management Sub-Zone (WMA)	0 ac.
Conservation Zone (CZ)	19.09 ac. (100.00%)
Conservation - Env. Constrained Sub-Zone (CECSZ)	0 ac.
Existing Community Zone (ECZ)	0 ac.
Existing Community - Env. Constrained Sub-Zone (ECECSZ)	0 ac.
Lake Community Sub-Zone (LCZ)	0 ac.

Note: *The Highlands Interactive Map can also be used for topography, to find a property's zoning within its municipality, identify open water, etc. by selecting different layers at the left of screen.*

Step Two: Refer to the municipality's Highlands Land Use ordinance to determine septic density for the subject's Land Use Capability zone.

The following is an example of what the Highlands section of the municipal land use ordinance may look like:

B. ***Planning Area.*** Development proposals involving new or increased demand for septic system capacity in the Planning Area shall be regulated in accordance with this subsection. These provisions shall override any density, intensity, bulk, or other standard of the underlying Land Use Ordinance that would otherwise permit a septic system density or use of septic system yield in excess of that as provided herein. These provisions shall apply equally in the case of any agricultural or horticultural development application proposing three or more residential dwelling units (including accessory dwelling units) served by individual on-site septic system(s). Nothing herein shall be deemed to apply to the replacement or repair of an existing septic system, however.

(1) *Septic System Density Allowances.* Septic system density (gross acres per septic system) shall not exceed the following allowances, for each Highlands Zone and Sub-Zone

(a) Existing Community Zone (and Sub-Zones) – 12 acres/septic system

(b) Conservation Zone (and Sub-Zones) – 13 acres/septic system

(c) Protection Zone (and Sub-Zones) – 33 acres/septic system

These allowances indicate the minimum acreage required per septic system, where that system is designed for a one-family household generating a maximum flow of 300 gallons of wastewater per day. The resulting acreage shall be applied as the minimum average acreage necessary to support

As noted in Step One, the example property is entirely located within the Conservation Zone. The land use ordinance requires 13 acres per septic system in the Conservation Zone and therefore 13 acres is the minimum lot size regardless of the bulk standards in the subject's zoning district. Note that these standards apply only to subdivisions of 3 units or more.

<u>Dual Valuation</u>

Valuation Scenarios

If the property qualifies for dual valuation, the appraisal must include two separate Before valuations. In the After, only one valuation is necessary since the property is assumed to be preserved and therefore, will not be affected by differences in zoning or environmental regulations.

Before Valuation

While there will be two separate valuations, <u>both will have the same date of valuation</u>, typically the current date. However, one of the valuations will be based on the current zoning and environmental regulations and the other based on the zoning and environmental regulations in place as of January 1, 2004, regardless of the valuation date.

To account for the differences between the two appraisal assumptions (Current and January 1, 2004), two different sets of comparable sales might be necessary.

<u>Example:</u> The subject is in the Planning Area where the municipality is conforming. It has potential for 3 or more lots, therefore, Highlands regulations apply. On January 1, 2004, the subject's zoning required a minimum of 5 acres per lot and currently the Land Use Capability zone dictates the minimum lot size is 13 acres.

- For the January 1, 2004 valuation, the sales should have zoning that is comparable to 5 acre minimum lot size.
- For the current valuation, the sales should have zoning that is comparable to 13 acre minimum lot size.

The subject may be so restricted that it is more comparable to a deed restricted property, as is often the case in the Preservation Area. In this case, the appraiser may choose to use the same sales for the After valuation as were used in the Before valuation for the Current scenario.

Property Rights

If the appraiser chooses to use the same After sales in the Before, consideration needs to be given to an adjustment for Property Rights. Any sale that is deed restricted used as a comparable sale in the Before valuation would require an upward adjustment for Property Rights to account for the added limitation to the "bundle of rights" that go with the deed restriction.

Valuation of Agricultural Improvements <u>on the Proposed Easement Area</u>

If the subject is in the Highlands <u>and</u> the appraiser deems the subject's highest and best use in the Before valuation to be agricultural use, the depreciated value of the agricultural improvements on the proposed easement area (outside exception areas) must be included in the value <u>unless</u> the subject's municipality has not conformed with the RMP. This value is added to the subject's land value.

For full instructions, see Valuing Agricultural Improvements section of this handbook on a previous page.

Presentation of Value Conclusions

If the property qualifies for dual valuation, the appraisal must include two complete sets of values wherever values are concluded within the report. One set will be the Current valuation and one set will be based on the zoning and environmental regulations in place as of January 1, 2004. Each set will contain Before, After and Easement values for both per acre and the total, which shall be calculated on the subject's net acreage stated in the Appraisal Order Checklist.

When a property is located in the Planning area, in some cases, the differences in the zoning or environmental regulations for the two dates may be negligible and the appraiser may then opine there is no difference in value. If that is the case, the appraisal must still include two sets of values. It is <u>not</u> sufficient to list one set of values and state the other set is the same as the first.

The following are two examples of how an appraiser may format the two sets of concluded values in their report:

<u>Example 1 - Same values for both dates:</u>

Current Zoning (Post Highlands Act Regulations) 14 ac min lot size	**Per Acre**	**Total**
Before Value	$11,000	$154,000
After Value	$6,200	$86,800
Easement Value	$4,800	$67,200
Zoning as of 1/1/2004 (Pre Highlands Act Regulations) 14 ac min lot size	**Per Acre**	**Total**
Before Value	$11,000	$154,000
After Value	$6,200	$86,800
Easement Value	$4,800	$67,200

Example 2 - Different values for each date:

	Zoning & Regulations as of:			
	1-Jan-04		Current Date of Value	
	Per Acre	Total	Per Acre	Total
Before Value	$9,900	$766,000	$5,700	$441,000
After Value	$4,700	$364,000	$4,700	$364,000
Easement Value	$5,200	$402,000	$1,000	$77,000

Including Agricultural Improvement Value in the Conclusion
If the subject has agricultural improvements that have been valued, that value is added to the subject's land value to determine a blended per acre rate.

For full instructions, see Valuing Agricultural Improvements section on a previous page of this handbook.

Transfer of Development Rights (TDR)

Transfer of Development Rights (TDR) is a land use tool that permits the transfer of development potential from areas identified for preservation, called sending zones, to areas that are more appropriate to accommodate increased growth, called receiving zones. In the Highlands Region, these rights to develop are called Highlands Development Credits (HDCs).

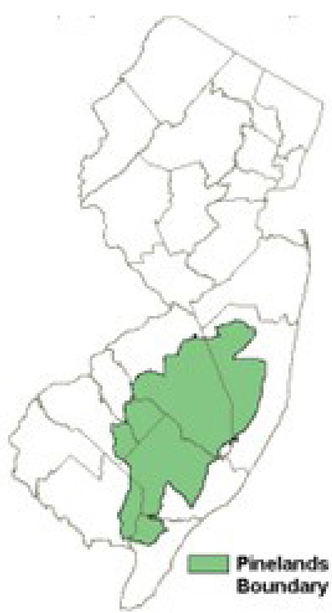
A basic component of any TDR program is a determination of what development rights are being severed from sending zone parcels for sale and use in receiving zones. In the Highlands, receiving zones are voluntary. The ability to develop with TDR credits in receiving zones establishes the demand for those credits.

The HDC Bank records and tracks all HDC activities as well as serves as a buyer and seller of HDCs.

Due to limited demand in the receiving areas, there is little value to be attributed to HDCs in the Highlands at this time. Therefore, unlike valuing PDCs in the Pinelands that are added to the subject's land value, the SADC does not require the value of the HDCs to be added to the value of a property in the Highlands, unless there is a proven demand for them where they have contributory value.

Appraising Farms with Pinelands Development Credits (PDCs) for the SADC

Introduction



The New Jersey Pinelands is an ecologically unique region of southern New Jersey identified by Congress as the nation's first National Reserve in 1978. Within the Reserve, the 938,000-acre Pinelands Area is managed by the New Jersey Pinelands Commission, an independent state agency charged with protecting the Pinelands in a manner that maintains the region's unique ecology while permitting compatible development.

The Commission accomplishes its goals through implementation of the Pinelands Comprehensive Management Plan (CMP), which guides the region's land use and natural resource protections. To compensate landowners for reductions in development potential in areas identified in the plan as environmentally sensitive, a Transfer of Development Rights (TDR) program was created. TDR is a land-use management tool that allows both land conservation and economic growth through the transfer of development potential from one area ("sending areas") to targeted areas ("receiving areas"). In the Pinelands, the TDRs are known as "Pinelands Development Credits", or PDCs.

These instructions address issues associated with appraising properties that qualify for PDCs. If the subject is in the Pinelands but does not qualify for PDCs, the appraisal is treated like any other farmland preservation appraisal and these instructions do not apply.

For more information on New Jersey Pinelands, please visit their website at: https://www.nj.gov/pinelands/index.shtml

Pinelands Terminology

The following terms relate to Pinelands appraisals:

1. Pinelands Management Areas

The region is divided into nine Pinelands Management Areas (PMA), each with specific requirements related to permitted uses and development densities.

Of the nine management areas, there are three "sending" areas, within which properties may qualify for PDCs:

- Agricultural Production Area (AP)
- Special Agricultural Production Area (SAP)
- Preservation Area (PA) District

For more information on Pinelands Management Areas:
https://www.nj.gov/pinelands/cmp/summary/ma/

2. Pinelands Development Credits (PDCs) and Rights

PDCs are the development rights associated with a property within the Preservation Area District, Special Agricultural Production Area and Agricultural Production Area management areas. PDCs can be "severed" from the subject and sold, without selling the fee interest in the property. Once PDCs are severed, the property is preserved by the recording of a conservation or agricultural deed restriction; and thus, restricted from most future nonagricultural development. PDCs can be reserved for future housing if this need is identified prior to severance.

PDCs are bought and sold in one-quarter credit units called "Rights". There are 4 "Rights" associated with each PDC. One Right is needed for each existing and/or future residential unit.

3. Letter of Interpretation (LOI)

A Letter of Interpretation (LOI) is the official document issued by the Pinelands Commission that identifies the number of PDCs for which a property qualifies.

Appraisers will be provided with an LOI for any Farmland Preservation Program application that is eligible for PDCs. The LOI will define how many PDCs for which the property is eligible and how the allocation of PDCs is reduced due to existing housing units and any requested future housing opportunities. Sample LOIs are attached to the end of this document.

Overview

While a typical farmland appraisal consists of land value only, appraisal of a property eligible for PDCs includes three components in the Before valuation:

1. **Land, including "Rights" associated with residential opportunities (existing and future)**

2. **Rights that have the potential to be "Severed" PDCs (to be sold separate from the underlying fee interest)**

3. **Depreciated agricultural improvements in the proposed easement area.**

USPAP Standard 1-4(e) states, "An appraiser must refrain from valuing the whole solely by adding together the individual values of the various estates or component parts". However, unlike most other rights to land, PDCs can be sold separately, with minimal time or risk, at a known market value. It is therefore acceptable to add the market value of severable PDCs to the land value.

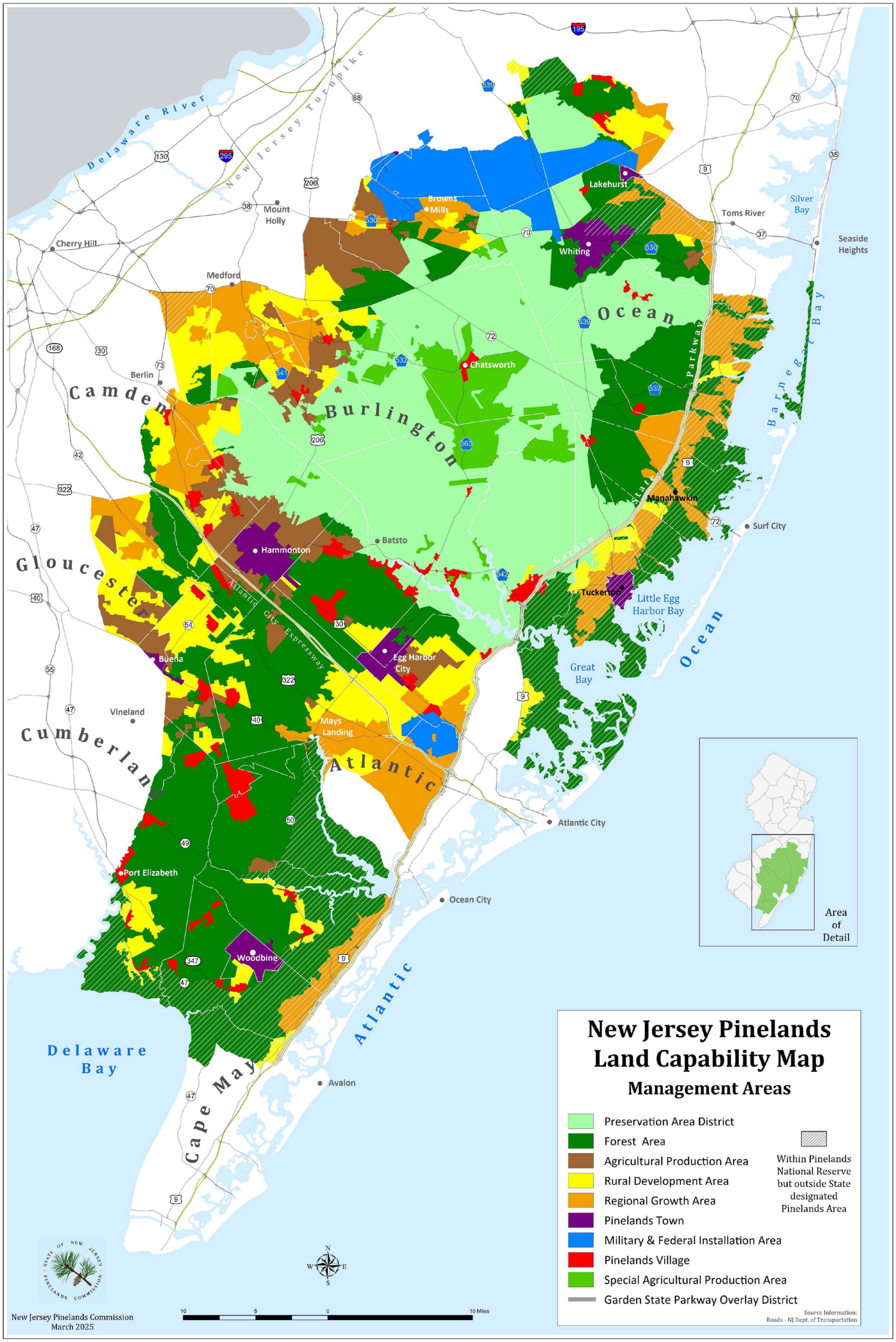
B&B Farm, Atlantic County

Pinelands Development

In the Pinelands Area municipal zoning ordinances are required to conform to the Pinelands CMP and be certified by the Pinelands Commission.

Compliant ordinances permit development opportunities in accordance with the applicable Pinelands Management Area (PMA) and include enhanced environmental standards that must be considered when determining how development opportunities outlined in the ordinance and CMP apply to a subject property.

For Pinelands maps, including an interactive map of Pinelands Management Area boundaries: https://www.nj.gov/pinelands/home/maps/



New Jersey Pinelands
Land Capability Map
Management Areas
Preservation Area District
Forest Area
Agricultural Production Area
Rural Development Area
Regional Growth Area
Pinelands Town
Military & Federal Installation Area
Pinelands Village
Special Agricultural Production Area
Garden State Parkway Overlay District
Within Pinelands National Reserve but outside State designated Pinelands Area
Source Information: Roads - NJ Dept. of Transportation
Area of Detail
New Jersey Pinelands Commission
March 2025
10 5 0 10 Miles
Delaware River
New Jersey Turnpike
Atlantic City Expressway
Garden State Parkway
Camden
Burlington
Ocean
Gloucester
Cumberland
Atlantic
Cape May
Delaware Bay
Barnegat Bay
Silver Bay
Little Egg Harbor Bay
Great Bay
Ocean
Atlantic
Mount Holly
Cherry Hill
Medford
Berlin
Browns Mills
Lakehurst
Whiting
Toms River
Seaside Heights
Chatsworth
Manahawkin
Surf City
Batsto
Hammonton
Tuckerton
Buena
Egg Harbor City
Vineland
Mays Landing
Atlantic City
Port Elizabeth
Ocean City
Woodbine
Avalon

<u>Required PDC Components of an Appraisal</u>

The appraisal must address the subject's PDCs and how they affect value. The following are necessary components of the appraisal report:

1. Summary of the subject's LOI

The subject's LOI must be summarized to include, at a minimum, the following:

- Date of the LOI
- LOI number
- Number of PDCs allocated to the subject property
- Existing dwelling units, future dwelling units requested, and number of Rights reserved for future dwelling units.

A copy of the subject's LOI must be included, either in the body of the report or as an addendum.

2. Calculation of PDCs to Rights

Four Rights are associated with each PDC. The appraisal must include the calculation to convert the subject's number of PDCs into the number of Rights.

<u>Example:</u> The subject property has been allocated 3.25 PDCs, as stated in the LOI.

3.25 PDCs X 4 Rights = 13 Rights

3. Subject's potential for <u>severable</u> Rights

The LOI details the number of eligible PDCs, the number reduced for existing dwelling units and the number reserved for future dwellings units. However, PDCs are not created until the landowner decides to sever them from the property. Prior to severance, the landowner must determine how many Rights to reserve for future dwelling units and inform the Pinelands Commission in their request for an LOI. PDC certificates are not issued for reserved Rights but are issued for each <u>severable</u> Right. Once severed, PDCs can be sold at any time apart from the fee interest in the property.

4. Valuation of Severable PDC Potential

If the appraiser's highest and best use analysis in the Before valuation concludes the subject would sever PDCs, the market value of <u>severable</u> PDCs must be estimated and added to the value of the land.

See Before Valuation - Highest and Best Use, Valuation of Severable PDCs for more information.

Before Valuation

Highest and Best Use

The Highest and Best Use must analyze two components for the subject:

1. Development potential
2. Options for use of the subject's PDCs

1. Development potential:

When determining the subject's development potential, the appraiser must understand what options are available in the Pinelands. The following is a summary of development options available within the PMAs that allow PDC allocations. Appraisers must recognize requirements in the CMP that qualify a subject property for a specific development opportunity. Note also that the enhanced environmental regulations, including depth to seasonal high water table, may require lot sizes that exceed the development densities below.

Development Options by Pinelands Management Area			
	Pinelands Management Areas		
Development Opportunity DU = Dwelling Unit	**Agricultural Production (AP) N.J.A.C. 7:50-5.24**	**Special Agricultural Production (SAP) N.J.A.C. 7:50-5.25**	**Preservation Area (PA) N.J.A.C. 7:50-5.22**
3.2 acre Cultural Housing: one DU every 5 years; N.J.A.C. 7:50-5.32(a)	X	X	X
1 DU/10 acres (accessory to agriculture, one DU every 5 years)	X		
1 DU/40 acres (cluster on 1 acre, req. deed restriction)	X		
DUs if > 40 acres (accessory to agriculture; only if permitted by municipality)		X	
1-to-3.2 acre pre-existing lots for cultural housing; N.J.A.C. 7:50-5.32(b)	X	X	X

Depth to Seasonal High Water Table – According to 7:50-5.28(a)2. of the Pinelands Comprehensive Management Plan:

"…developable lands are those privately held, non-wetland lands with a depth to seasonal high water table of greater than five feet. Where sewer systems are available, lands with a depth to seasonal high water table exceeding 1.5 feet shall also be considered developable…"

Therefore, the appraisers are to refer to the Depth to Seasonal High Water Table map provided by the SADC when determining the subject's development potential. When developing the highest and best use in the Before, the appraisers should not reserve Rights for future dwellings in areas where the water table is less than 5 feet. This restriction applies to all properties in the Pinelands, not just those with PDCs.

For a more detailed explanation of requirements, see the Pinelands Comprehensive Management Plan (CMP): https://www.nj.gov/pinelands/cmp/CMP.pdf

The following are common appraisal considerations regarding development in the Pinelands:

• Cultural Housing Provision (N.J.A.C. 7:50-5.32):

- Summary of conditions:
    - 3.2-acre lot requirement;
        - For lots existing as of Feb. 8, 1979, the 3.2-acre requirement may be reduced to 1 acre with township variance and purchase of 0.25 PDCs
    - Dwelling unit must be principal residence of property owner or immediate family member;
    - The individual whose principal residence the dwelling unit will be must not have developed a similar unit within previous 5 years;
    - Parcel in continuous ownership of individual or their family since Feb. 7, 1979;
    - The individual whose principal residence the dwelling unit will be must have resided in Pinelands for at least 5 years or be a member of family for a total of at least 20 different years.

Subdivision and development of a dwelling unit under the cultural housing provision is subject to the conditions at N.J.A.C. 7:50-5.32. Note that if a lot is subdivided pursuant to the provision but not developed, the subsequent owner would not be eligible to construct the dwelling. Also note that a lot developed under the provision may be sold without restriction on the subsequent occupant of the residence.

• One Dwelling Unit per 10 acres (N.J.A.C. 7:50-5.24(a)2): This is the most common subdivision in the AP district in the Pinelands.

- Summary of conditions:
    - Dwelling must be accessory to active agricultural operation;
    - Dwelling must be for an operator or employee of farm actively engaged in operation;
    - Lot has not been subdivided within the last 5 years unless done so under cultural housing provision;
    - No more than one lot can be created under this provision at one time.

Subdivisions pursuant to N.J.A.C. 7:50-5.24(a)2 are only permitted one unit every five years; therefore, consideration must be given to the time it would take to reach full development potential.

- One Dwelling Unit per 40 acres (N.J.A.C. 7:50-5.24(a)3): This is the least common subdivision in the AP district in the Pinelands.

When considering the subdivision potential of a farm in the Pinelands, it is very rare that a landowner would choose this option as it requires the unit to be clustered on one acre, with the remaining 39 acres being deed restricted. It has been the experience of Pinelands staff that landowners would prefer to wait five years for the opportunity to subdivide another 10 acres, than to choose this option.

- Wetlands Buffer (N.J.A.C. 7:50-6.14):

Generally, development is prohibited within the 300' wetlands buffer. This would apply to most agricultural improvements and land clearing, except for activities associated with horticulture of native Pinelands species or berry agriculture.

- Pre-existing undersized lots (N.J.A.C. 7:50-5.31):

N.J.A.C. 7:50-5.31 permits a municipality to exempt pre-existing undersized lots of at least one acre from development density restrictions. Zoning ordinances must be consulted to determine applicability.

2. <u>Options for Use of the Subject's PDCs:</u>

The second part of the Highest and Best Use analysis must include the appraiser's opinion of how the greatest return on the PDCs will be achieved and why, which is a theoretical scenario for valuing the property. The appraiser must explain how many Rights the landowner might retain for future dwelling units[15], if any, to maximize value. This may differ from what the owner has requested, as noted in the LOI, as that is an After value consideration. However, when considering the number of PDCs to reserve for future residences, the appraiser is cautioned not to overestimate how many should be retained.

[15]Please note that any appraiser recommendation in the Before valuation that differs from the reserved rights in the LOI cannot be considered unless an amended LOI is obtained prior to recordation of any easement or restriction.

Options for use of PDCs include:

- Severing all PDCs for sale
- Retaining all PDCs with the subject property
- Retaining some Rights for future housing opportunities and severing the remaining PDCs for sale

If the appraiser determines that the highest and best use is to sever most of the PDCs and reserve a certain number of them for future dwelling opportunities, the appraiser must specify the number of PDCs to be reserved and explain their rationale.

It is important to note that once PDCs are created, the parcel is permanently deed restricted and a landowner no longer has development opportunities beyond Rights retained. Note that reservation of Rights does not guarantee municipal and Pinelands Commission development approvals for the associated housing opportunities. Therefore, when determining how many Rights to retain and deciding the highest and best use, the appraiser must consider the following:

- One Right is deducted from the PDC allocation for every existing dwelling unit, as identified in the LOI.
- If no dwellings exist, reserving one Right for a future dwelling opportunity may make the subject more valuable. However, the appraiser must consider if Pinelands restrictions including but not limited to the water table, wetlands and 300-foot buffers would prohibit a home being built.
- Reserving Rights for future subdivision may be preferable to selling them as severable Rights, bearing in mind:
    - Subdivision options may be limited to one lot every five years, thus reducing the present value of future lots.
    - The need for sufficient existing frontage to subdivide, without a zoning variance, given the low-density zoning and cost associated with construction of new interior roads.
- If the subject has multiple existing lots, and Pinelands restrictions previously mentioned would not prohibit development, it may be prudent to reserve a Right for one or more of the lots, since these would not require a future subdivision.
    - Comparable sales without multiple lots may be considered inferior to the subject's multiple lots, and therefore may warrant upward adjustments.

While in some extreme cases the landowner may apply for waivers and Pinelands may grant hardships, Pinelands restrictions apply to all farms, including those that do not have an existing home. Appraisers should not assume they would get approval for a home based on "hardship" waivers.

Rights retained for future residences are to be valued via the adjustment grid, as they run with the land. Rights that are to be severed from the land are to be valued separately via the severable Rights valuation.

Sample Before Highest and Best Use Statement

The following is sample wording for a highest and best use scenario where rights are retained and PDCs are generated for sale:

> *Based on our analysis of the subject property, the appraiser believes that the highest and best use in the Before valuation is continued agricultural use and reserving 2 Rights for future housing/subdivision opportunities. The remaining 8 Rights can be severed and sold at market rate.*

This example would require the following components of value:

- The value of the subject land with 2 reserved Rights (2 future dwelling opportunities) in adjustment grid
- The value of the remaining 8 Rights, valued as severed PDCs
- The value of any <u>agricultural</u> improvements outside any exception areas, estimated via a Cost Approach

Appraisers must include calculations in their reports similar to the examples below:

<u>Example A:</u> The subject property is eligible for a maximum of 3.0 PDCs. The LOI states there is one existing dwelling unit and deducts 0.25 PDCs (1 Right). The appraiser believes that no additional Rights will be needed for subdivision based on their Highest and Best Use discussion. Therefore, the severable Rights are calculated as follows:

2.75 severable PDCs X 4 Rights = 11 Rights

<u>Example B:</u> The subject property is eligible for 3.0 PDCs but it has one existing dwelling, for a net of 2.75 PDCs. The owners are interested in severing PDCs to sell them; however, the appraiser believes they should reserve the right (0.25 PDC) for a second dwelling unit. The remaining PDCs are considered “severable” and can be sold:

2.75 PDCs minus 0.25 PDCs = 2.5 <u>severable</u> PDCs to be valued
2.5 severable PDCs X 4 Rights = 10 Rights

<u>*Or*</u> it could also be calculated this way:

2.75 PDCs X 4 Rights = 11 Rights minus 1 Right = 10 Rights

Ten Rights would need to be valued and added to the land value, as they could be severed and sold separately. Then, since 1 Right is being reserved for a future dwelling and 1 Right is allocated to the existing dwelling, those 2 Rights will be valued with the land as two dwelling opportunities in the Before adjustment grid.

Example C: The subject property is vacant land and is eligible for 2.50 PDCs, or 10 Rights. There are no existing dwellings. It has enough frontage and uplands to accommodate low-density residential use. Based on the Pinelands Management Area requirements, the appraiser estimates the subject could accommodate two single family dwelling units along existing frontage in a reasonable period of time. Therefore, the appraiser's highest and best use in the Before valuation is for continued agricultural use, reserving 0.50 PDCs (2 Rights, one for each of the estimated frontage farmettes) for eventual subdivision, and severing the remaining 2.0 PDCs, or 8 Rights:

2.50 total PDCs minus 0.5 reserved PDCs = 2.0 PDCs to be valued separately from land
2.0 PDCs X 4 Rights = 8 Rights

Or it could also be calculated this way:

2.50 PDCs X 4 Rights = 10 Rights Total
10 Rights minus 2 Rights = 8 Rights to be valued separately from land

Valuation of Severable PDCs

The Pinelands Commission, through the Pinelands Development Credit Bank, processes all PDC transactions and keeps a registry of PDCs currently for sale and those that have been sold. To estimate the market value of the subject's (and comparable sales') severable PDCs, the PDC Sales Report is used. See sample on the next page.

> The PDC Sales Report can be found on the PDC Bank's website, or by using the following link: https://www.nj.gov/pinelands/pdcbank/PDC%20reports/PDC%20BANK/PDC%20Bank%20-%20PDC%20Sales%20Report.pdf

A copy of the most current sales report (or closest to the effective date of value) is required to be included in the appraisal report.

To estimate the value of the subject's Rights, most weight should be given to the PDC sales closest to the subject's effective date of value, as well as any potential trends.

Additionally, the value of the comparable sales' Rights will have to be estimated and deducted from the sale price. When estimating the PDC value for comparable sales, most weight should be given to the PDC sales closest to the date the comparable sale took place.

For example, if a comparable sale took place two years prior to the appraisal's effective date of value, the sale date is what must be used when estimating that sale's PDC value, not the subject's effective date of value. If there is an abundance of sales, it indicates there is demand in the receiving areas.

The appraiser should look for value trends and averages and discuss the findings with the reader to support the concluded per Right value. However, the appraiser should be cautioned against using an average during a period of significant market changes.

The following is an actual PDC sales report from July 2023 to January 2025:

Pinelands Development Credit Bank
PDC Sales Report
July 1, 2023 to January 31, 2025

Certificate Number	PDC Value	Date Dispatched	First Sale	PDCs Dispatched	Rights Sold	Public or Private	Total Consideration	Selling Price Per Right
3226	0.25	8/23/2023	Yes	0.25	1	Private	$18,500.00	$18,500.00
3169	3.00	9/28/2023	Yes	3.00	12	Private	$228,000.00	$19,000.00
3170	1.00	9/28/2023	Yes	0.75	3	Private	$57,000.00	$19,000.00
3229	0.50	10/4/2023	Yes	0.50	2	Private	$35,000.00	$17,500.00
3231	0.25	10/4/2023	Yes	0.25	1	Private	$17,500.00	$17,500.00
3248	19.50	12/1/2023	Yes	19.50	78	Private	$1,462,500.00	$18,750.00
3171	1.00	1/3/2024	Yes	1.00	4	Private	$74,000.00	$18,500.00
3245	0.25	1/3/2024	Yes	0.25	1	Private	$18,500.00	$18,500.00
3167	0.25	1/4/2024	Yes	0.25	1	Private	$18,500.00	$18,500.00
3173	1.00	1/17/2024	Yes	0.25	1	Private	$22,500.00	$22,500.00
3219	2.00	1/25/2024	No	0.25	1	Private	$22,500.00	$22,500.00
3228	1.00	1/25/2024	Yes	1.00	4	Private	$70,000.00	$17,500.00
3230	0.50	1/25/2024	Yes	0.50	2	Private	$35,000.00	$17,500.00
3232	0.25	1/25/2024	Yes	0.25	1	Private	$17,500.00	$17,500.00
2152	0.25	6/5/2024	Yes	0.25	1	Private	$20,000.00	$20,000.00
2438	0.75	6/14/2024	Yes	0.75	3	Private	$63,000.00	$21,000.00
2439	0.50	6/14/2024	Yes	0.50	2	Private	$42,000.00	$21,000.00
3262	0.25	7/15/2024	Yes	0.25	1	Private	$20,000.00	$20,000.00
2593	0.25	7/17/2024	No	0.25	1	Private	$25,000.00	$25,000.00
3154	0.25	7/17/2024	No	0.25	1	Private	$25,000.00	$25,000.00
1940	0.25	8/13/2024	Yes	0.25	1	Private	$22,500.00	$22,500.00
1941	0.25	8/13/2024	Yes	0.25	1	Private	$22,500.00	$22,500.00
1942	0.25	8/13/2024	Yes	0.25	1	Private	$22,500.00	$22,500.00
1943	0.25	8/13/2024	Yes	0.25	1	Private	$22,500.00	$22,500.00
1944	2.00	8/13/2024	Yes	2.00	8	Private	$180,000.00	$22,500.00
2196	5.00	10/17/2024	Yes	4.00	16	Private	$384,000.00	$24,000.00
3269	0.25	10/22/2024	Yes	0.25	1	Private	$22,500.00	$22,500.00
3286	0.25	10/22/2024	Yes	0.25	1	Private	$22,500.00	$22,500.00
3287	0.25	10/22/2024	Yes	0.25	1	Private	$22,500.00	$22,500.00
3288	0.25	10/22/2024	Yes	0.25	1	Private	$22,500.00	$22,500.00
3152	1.50	11/15/2024	Yes	1.25	5	Private	$100,000.00	$20,000.00
2023	0.50	11/26/2024	Yes	0.25	1	Private	$24,000.00	$24,000.00
3270	0.25	11/29/2024	Yes	0.25	1	Private	$21,000.00	$21,000.00
3271	0.25	11/29/2024	Yes	0.25	1	Private	$21,000.00	$21,000.00
3272	0.25	11/29/2024	Yes	0.25	1	Private	$21,000.00	$21,000.00
3273	0.25	11/29/2024	Yes	0.25	1	Private	$21,000.00	$21,000.00
3274	0.25	11/29/2024	Yes	0.25	1	Private	$21,000.00	$21,000.00
3275	0.25	11/29/2024	Yes	0.25	1	Private	$21,000.00	$21,000.00
3276	0.25	11/29/2024	Yes	0.25	1	Private	$21,000.00	$21,000.00
3277	0.25	11/29/2024	Yes	0.25	1	Private	$21,000.00	$21,000.00
3278	0.25	11/29/2024	Yes	0.25	1	Private	$21,000.00	$21,000.00
3279	0.25	11/29/2024	Yes	0.25	1	Private	$21,000.00	$21,000.00
3249	0.25	12/9/2024	Yes	0.25	1	Private	$22,500.00	$22,500.00
3250	0.25	12/9/2024	Yes	0.25	1	Private	$22,500.00	$22,500.00
3310	0.25	12/9/2024	Yes	0.25	1	Private	$22,500.00	$22,500.00
3311	0.25	12/9/2024	Yes	0.25	1	Private	$22,500.00	$22,500.00
Total Rights Sold:			**173**			**Total Sales:**		**$3,460,000.00**
Number of Certificates Sold:			**46**			**Average Price Per Right:**		**$20,000.00**

Note the average value of a Right for the period is indicated as $20,000 per Right. However, the period is also 18 months, which is a long time. While there was some fluctuation during this time, there appears to be an overall increase from the beginning to the end of the period, so the effective date of value is very important, and the appraiser must look for trends. Also, the appraiser must be aware of the number of Rights in each transaction. In December of 2023, 78 Rights sold in a single transaction at a price of $18,750 per Right. In this example, that pricing seems typical for the time; however, the appraiser should consider if these bulk transactions exhibit bulk discounts. If there seems to be an extreme, the appraiser may want to give less or no weight to this transaction when selecting a PDC value and discuss that in the appraisal.

The appraiser's concluded Right value will be applied to the estimated number of Rights to determine severable PDC value.

Example A: The subject property is eligible for 3.25 severable PDCs (13 Rights). The appraiser estimated the value of each Right for the subject to be $20,000:

13 severable Rights X $20,000/Right = $260,000

Example B: The acreage of the subject property would qualify it for 3.25 PDCs (13 Rights) however there is one existing dwelling, and one Right is being reserved for a future residential opportunity leaving 11 severable Rights able to be sold. The appraiser estimated the value of each severable Right at $20,000:

11 severable Rights X $20,000/Right = $220,000

Note: In Example B, the two Rights (one deducted for the existing unit and one reserved for a future dwelling) must be valued as residential opportunities in the adjustment grid. (*See Adjustments for Reserved PDCs/Rights*)

Selecting Comparable Sales – Before

Pinelands deed restrictions are not the same as the farmland preservation deed of easement, however both are restrictive. The appraiser can review and compare to determine if an adjustment for property rights may be necessary. The following is a link to the deed restrictions for each of the three sending management areas: https://www.nj.gov/pinelands/pdcbank/cert/deed/

The template for Agricultural Production is in the appendix.

The following are options for comparable sales in the Before valuation:

- **Preserved farmland sales** – This may be the simplest and most accurate approach since Pinelands properties are so restricted. The appraiser may be able to use all or some of the same restricted farm sales used in the After valuation. The appraiser must determine if an upward property rights adjustment is warranted (*see Property Rights Adjustment*). The value of the severable PDCs will be added separately, which represent the majority of the value difference between the Before and After valuations.

- **Sales with PDCs sold** – The appraiser should consider if property rights adjustments are needed as the severed PDCs indicate the property has a deed restriction, and are being compared to the subject that is not deed restricted. PDCs have been sold so there is no need to estimate and deduct their value. Existing homes and Rights reserved for future homes must be considered residential opportunities when making adjustments.

- **Unrestricted farm sales with very large minimum lot size requirements** - The most common residential subdivision with PDC farms in the Agricultural Production Area is the 10-acre agricultural subdivision. However, since the lot must have a farm management plan (or have a history of agricultural production) <u>and</u> the occupant must be involved in the agricultural operation <u>and</u> only one lot can be subdivided every 5 years, these are more restrictive than a comparable farm sale with 10-acre zoning outside the Pinelands and would require an adjustment.

- **Sales within the Pinelands where PDCs were not severed** – Since the subject's severable PDCs will be valued separately at market rate, the appraiser must estimate and deduct the value of the comparable sale's severable PDCs. Consider deducting a discounted PDC value as they may contribute less than if they were sold separately. (*see PDC Adjustments for Comparable Sales*).

  This may be the most difficult option since the appraiser must include an estimate of the following:

  - Number of PDCs for which the sale property qualified
  - Existing dwellings
  - Reserved Rights to be valued with the land
  - Severable Rights at the time of sale
  - Market value of each severable Right at the time of sale (and thus, the total for all)
  - Discount rate to be applied to the severable Rights.

Adjustments to Comparable Sales

Since many farms in the Pinelands are purchased for continued agricultural use, the typical Before adjustments may not be appropriate. Adjustment categories used in the After may make more sense in the Before adjustment grid. These adjustments might include residential opportunities or Rights reserved with the land, as well as tillable acreage and agricultural soils.

Adjustments for the Subject's Reserved PDCs/Rights

Existing dwellings as well as reserved Rights for future housing represent dwelling opportunities when comparing the subject to the sales; adjustments should be made accordingly.

Rights reserved for a future subdivided lot may be more comparable to dwelling opportunities in severable exception areas versus non-severable exception areas. *For more information on this, see SADC Appraisal Handbook - Exception Areas and Residential Opportunities.*

<u>Example:</u> The subject has one existing dwelling. The appraiser believes the subject owner should reserve one Right (0.25 PDCs) for a future dwelling. For the purpose of comparison, this should be considered two residential opportunities.

Adjustments for Severable PDCs – Comparable Sales

Unlike adjusting for reserved Rights, differences in severable PDCs between the subject property and comparable sales should <u>not</u> be adjusted in the grid. The contributory value of severable Rights must be deducted from the sale price in the comparable sale write-up, much like improvement value is deducted, so that the remaining land value can be compared to the subject land. This deduction is based on a buyer's perception of the value contribution of the PDCs for that sale.

The following are some factors the appraiser should consider in determining the comparable sale's PDC value deduction:

- **No LOI for a comparable sale** - If no LOI has been issued, the number of PDCs associated with a comparable sale may be unknown. If that is the case, the appraiser can estimate the number of potential PDCs associated with a comparable sale. This is only an approximation to help the appraiser deduct the value of potential severable PDCs from the sale so the land can be compared to the subject. See the attached LOIs and N.J.A.C. 7:50-5.43 for more about how PDC allocations are made.

In summary:

- Uplands and farmed wetlands qualify for 2 PDCs per 39 acres.
- Non-farmed wetlands qualify for 0.2 PDCs per 39 acres.
- Since PDCs are transacted in 0.25 PDC increments, the allocations are rounded to the nearest 0.25 PDC.

- **Discounts for PDCs for comparable sales** - When confirming a comparable sale, it is important to ask if the buyer and/or seller knew how many severable PDCs the property had, and how the credits impacted the price paid. Most buyers will not add the retail value of potential severable Rights to their purchase price. Therefore, discounting may help make sense of these transactions if the retail PDC price deduction results in the underlying land being lower than what a similarly restricted farm would sell for in the area.

The following is a sample sale write-up for PDC adjustments:

Example: *Based on our confirmation of the sale, the property was eligible for 2.50 PDCs (10 Rights). The property has one existing dwelling unit, and the appraiser believes that one additional Right should be retained for a future dwelling unit. Therefore, the contributory value of the remaining 8 Rights has been deducted and the underlying land will be adjusted based on having two residential opportunities.*

At the time of sale, each Right was worth approximately $8,000; therefore, the value of 8 severed Rights at the time of sale was equivalent to $64,000. However, the appraiser believes that the Rights have less value when sold with a property than if they were sold separately and therefore, the PDC value has been discounted. The appraiser believes it is reasonable that the 8 severable Rights should be discounted 30% from the severed "retail" price which results in a PDC adjustment of $45,000 (rounded). This will be deducted from the comparable sale price to estimate the value of the underlying land.*

The calculation deducting the value of Rights from the sale price must be included in the sale write-up:

Wolfe Farm, Burlington County

Example 1: A 45-acre property in the Pinelands sold for $200,000. It was eligible for 2.50 PDCs and the appraiser determined that 2 Rights should be reserved; therefore 8 Rights are severable. The appraiser estimated the market value of the PDCs at the time of sale at $64,000; however, a 30%* discount was applied.

$200,000 Deed consideration
 - 45,000 Less: discounted value of PDCs
$155,000 Adjusted consideration of the land with two Rights

$155,000 Divided by 45 acres = $3,444 per acre

The adjusted consideration of $155,000 and the $3,444 per acre price are the figures used in the adjustment grids.

***The figures above are for example purposes only. The appraiser must determine whether a discount is appropriate and what that discount would be.**

Example 2: When confirming the sale, the buyer indicated the property was eligible for 2.0 severable PDCs, but they did not have much importance when negotiating a purchase price. Therefore, the appraiser applied a significant (xx%) discount to the market value of severed Rights at the time of sale.

Property Rights

Since the same comparable sales can be used for both the Before and After valuations, an adjustment may be necessary for differences in property rights, such as deed restrictions, that limit the "bundle of rights".

A deed restricted sale compared to unrestricted subject land, regardless of PDCs, will likely warrant an upward adjustment for property rights.

The following are examples of scenarios where property rights adjustments may or may not be necessary:

Example 1: The subject is eligible for 3.25 PDCs. The appraiser finds an unrestricted farm sale that is eligible for 2.0 severable PDCs. Should the appraiser make a property rights adjustment for this difference in severable PDCs?

No, property rights adjustments are not necessary since neither the subject, nor the sale are deed restricted. However, the contributory value of the potential severable PDCs (which may include a discount) should be deducted from the sale price in the appraiser's sale write-up.

<u>Example 2:</u> The subject is eligible for PDCs. The appraiser finds a comparable sale with its PDCs severed. Should the appraiser make a property rights adjustment?

Yes. Since the comparable sale's PDCs were severed, a deed restriction is in place. Since this sale is used in the Before valuation and the subject is not deed restricted, the sale should be adjusted upward for property rights.

<u>Example 3:</u> The subject is eligible for PDCs. The appraiser finds a comparable sale in the Pinelands that is deed restricted with a farmland preservation deed of easement. Can this sale be used in the Before and if so, should the appraiser make a property rights adjustment?

Yes, a deed restricted sale can be used as a sale in the Before, and it should have a property rights adjustment. When a farmland preservation easement is recorded any potential PDCs are retired. Therefore, the sale is considered inferior to the subject for property rights and thus, a positive adjustment would be necessary.

<u>**Sample Before Adjustment Grid**</u> – The sample grid on a following page illustrates how property rights adjustments may be handled in the <u>Before</u> valuation, with the following explanations. Please note that the adjustments are for example only, appraisers would decide how much adjustment is appropriate in any valuation:

Sales 1 and 3 have had PDCs severed and are therefore restricted, so an upward property rights adjustment is necessary.

Sales 2 and 5 are restricted with a farmland preservation easement and, therefore, are inferior to the subject, so an upward adjustment is applied.

Sale 4 is shown as Fee Simple, meaning that it is not deed restricted, nor have the PDCs been severed. Therefore, no property rights adjustment is necessary. However, the contributory value of the allocated PDCs available for sale at the time of sale must be deducted from the sale price in the sale write-up, as previously explained.

Also, note the adjustment categories used in this sample grid are typical After adjustment categories since the subject is restricted by zoning and often appeals to a buyer for agricultural purposes.

Existing housing and reserved Rights for future housing represent residential opportunities and the sales must be adjusted accordingly in the adjustment grid. In this example, all sales have the same number of residential opportunities as the subject and no adjustments are necessary.

BEFORE LAND SALES ANALYSIS

	SUBJECT	SALE 1		SALE 2		SALE 3		SALE 4		SALE 5	
Property Address	Spring Road Millstone	Long Road Millstone		Lamp Road Millstone		Beaver Road Millstone		Folk Avenue Millstone		Downe Road Millstone	
Owner / Grantor	Farmer Bill	Farmer John		Farmer Mike		Farmer Tom		Farmer Linda		Farmer Mary	
Size in Acres	100.0	100.0		100.0		100.0		100.0		100.0	
Date of Sale	NA	00/00/00		00/00/00		00/00/00		00/00/00		00/00/00	
Sale Price - Land Only		$100,000		$100,000		$100,000		$100,000		$100,000	
Sale Price / Acre	NA	**$1,000**		**$1,000**		**$1,000**		**$1,000**		**$1,000**	
Property Rights		PDCs Severed	10%	Deed Restricted	10%	PDCs Severed	10%	Fee Simple	0%	Deed Restricted	10%
Adjusted Value		$1,100		$1,100		$1,100		$1,000		$1,100	
Condition of Sale		Arms Length	0%	Arms Length	0%	Arms Length	0%	Arms Length	0%	Arms Length	0%
Adjusted Value		1,100		1,100		1,100		1,000		1,100	
Financing Terms		At Market	0%	At Market	0%	At Market	0%	At Market	0%	At Market	0%
Adjusted Value		1,100		1,100		1,100		1,000		1,100	
Market Conditions		Similar	0%	Similar	0%	Similar	0%	Similar	0%	Similar	0%
Adjusted Value		1,100		1,100		1,100		1,000		1,100	
ADJUSTED PRICE / ACRE		$1,100		$1,100		$1,100		$1,000		$1,100	
Location	Average	Average	0%	Average	0%	Average	0%	Average	0%	Average	0%
Size in Acres	100.0	100.0	0%	100.0	0%	100.0	0%	100.0	0%	100.0	0%
Topography	Gen Level	Gen Level	0%	Gen Level	0%	Gen Level	0%	Gen Level	0%	Gen Level	0%
Tillable Acreage	75%	75%	0%	75%	0%	75%	0%	75%	0%	75%	0%
Easements	None	None	0%	None	0%	None	0%	None	0%	None	0%
Wetlands (%)	25%	25%	0%	25%	0%	25%	0%	25%	0%	25%	0%
Soils (% Prime)	75%	75%	0%	75%	0%	75%	0%	75%	0%	75%	0%
Public Water / Sewer	None	None	0%	None	0%	None	0%	None	0%	None	0%
Resid Opp/Except	1 RO/2 Exc	1 RO/2 Exc	0%	1 RO/0 Exc	0%	1 RO/2 Exc	0%	1 RO/2 Exc	0%	1 RO/1 Exc	0%
Net Adjustment			0%		0%		0%		0%		0%
INDICATED VALUE PER ACRE		$1,100		$1,100		$1,100		$1,000		$1,100	
Total Gross Adjustments			0%		0%		0%		0%		0%
Total Net Adjustments			0%		0%		0%		0%		0%

Mean Price/Acre Unadjusted	$1,080
Mean Price/Acre After Adjustment	$1,080
Estimated Value per Acre	**$1,000**

Raferty Farm, Burlington County

Valuation of Agricultural Improvements on the Proposed Easement Area

Valuing farms eligible for PDCs requires appraisers to estimate the depreciated value of agricultural improvements on the proposed easement area (outside exception areas), regardless of the subject's highest and best use in the Before valuation. This value is added to the subject's land value.

See Valuing Agricultural Improvements section of this handbook on a previous page.

Before Valuation Conclusion Summary

Components of value are required to be itemized in the Before valuation summary. The total of all these components must be converted to a blended per acre rate for SADC certification.

The following is a sample Before value format, each of the following components must be included:

Land Value Before (100 net acres @ $5,000 per acre)	$500,000
Plus: Depreciated Value of Agricultural Improvements	$25,000
Plus: Value of 10 Severable Rights (2.5 PDCs)	$200,000
Total Before Value	**$725,000**

$725,000 Divided by 100.00 net acres = **$7,250 per acre**

After Valuation

The After value is based on a hypothetical condition that the subject has severed all or most of the PDCs (as outlined in the LOI and the SADC's Green Light Approval and AOC) and is subject to the farmland preservation program deed of easement provisions. Much of the After valuation of a Pinelands farm is similar to the After valuation of a typical farmland preservation appraisal.

However, there are some differences:

- Two hypothetical conditions must be included in the After valuation:
    1. The standard hypothetical condition assumes it is already preserved with a deed of easement.
    2. Value is based on a given number of PDCs/Rights being retired.

- Comparable sales used in the After may be the same as those used in the Before valuation. *See Adjustments to Comparable Sales*

Property Rights

If non-preserved farm sales are used in the After valuation, downward property rights adjustments will be necessary, as the subject property is assumed to be preserved.

If non-preserved farm sales with a PDC allocation are used for the After valuation, the appraiser must:

1. Adjust for potential severable PDCs by deducting the value from the sale price (same as in the Before).
2. Adjust downward for property rights, as the sale is not deed restricted.

Example 1: In the After valuation, the subject is (assumed to be) a deed restricted farm and its PDCs (are assumed to) have been severed. The appraiser would like to use the sale of a Pinelands farm that has not been deed restricted. Should an adjustment be made for property rights?

Yes. Since the sale is not deed restricted, it is superior to the subject and requires a downward adjustment for property rights. Additionally, the value of the sale's estimated severable PDCs will have to be deducted from the sale price in the sale write up.

Example 2: In the After valuation, the subject is (assumed to be) a deed restricted farm and its PDCs (are assumed to) have been severed. The appraiser would like to use the sale of a Pinelands farm that has severed its PDCs. Should an adjustment be made for property rights?

Maybe not. Since the sale has severed its PDCs, it has a deed restriction. The Pinelands deed restriction is not the same as the farmland preservation deed of easement; however, they are similarly restrictive. Therefore, the appraiser should review both deed templates and determine if a property rights adjustment is warranted. The appraiser may have to adjust for residential opportunity differences.

Valuation Reserved PDCs/Residential Opportunities

The subject's number of reserved PDCs may be different in the After than it was in the Before. This is due to the potential for development in the Before, but lack of development potential in the After. In the After, all PDCs except for those reserved for future residential opportunities <u>as identified by the client in the LOI and the AOC</u>, are assumed to be retired.

> <u>Example:</u> In the Before Highest and Best Use, the appraiser determined it would be wise for the subject to reserve 2 Rights (0.5 PDCs) for future development. However, in the After, the client specified 0 Rights would be reserved. Therefore, no Rights (residential opportunities) would be valued in the After.

<u>Sample After Adjustment Grid</u> – The sample on a following page illustrates how property rights and residential opportunities/exception area adjustments may be handled in the After situation. Appraisers decide how much adjustment is appropriate in any valuation:

Sales 1 and 3 have had their PDCs severed, which means they are deed restricted. Therefore, they are comparable to the subject and no adjustment is necessary.

Sales 2 and 5 are deed restricted and therefore, equal to the subject so no adjustment is applied.

Sale 4 is fee simple, which means that the property is not deed restricted and no PDCs have been severed. It is superior to the subject, so a downward property rights adjustment is necessary.

Additionally, the value of the PDCs at the time of sale must be deducted from the sale price.

Existing housing and reserved Rights for future housing represent residential opportunities and the sales must be adjusted accordingly in the adjustment grid. In this example, all sales have the same number of residential opportunities as the subject and no adjustments are necessary.

AFTER LAND SALES ANALYSIS

	SUBJECT	SALE 1		SALE 2		SALE 3		SALE 4		SALE 5	
Property Address	Spring Road Millstone	Uptown Road Millstone		Main Road Millstone		Sutton Road Millstone		Hillside Road Millstone		Curvy Road Millstone	
Owner / Grantor	Farmer Bill	Farmer Ron		Farmer Greg		Farmer Paul		Farmer Jane		Farmer Ann	
Farm Size in Acres	100.0	100.0		100.0		100.0		100.0		100.0	
Date of Sale	NA	00/00/00		00/00/00		00/00/00		00/00/00		00/00/00	
Sale Price - Land Only		$100,000		$100,000		$100,000		$100,000		$100,000	
Sale Price / Acre	NA	**$1,000**		**$1,000**		**$1,000**		**$1,000**		**$1,000**	
Property Rights		PDCs Severed	0%	Deed Restricted	0%	PDCs Severed	0%	Fee Simple	-10%	Deed Restricted	0%
Adjusted Value		$1,000		$1,000		$1,000		$900		$1,000	
Condition of Sale		Arms Length	0%	Arms Length	0%	Arms Length	0%	Arms Length	0%	Arms Length	0%
Adjusted Value		1,000		1,000		1,000		900		1,000	
Financing Terms		At Market	0%	At Market	0%	At Market	0%	At Market	0%	At Market	0%
Adjusted Value		1,000		1,000		1,000		900		1,000	
Market Conditions		Similar	0%	Similar	0%	Similar	0%	Similar	0%	Similar	0%
Adjusted Value		1,000		1,000		1,000		900		1,000	
ADJUSTED PRICE / ACRE		**$1,000**		**$1,000**		**$1,000**		**$900**		**$1,000**	
Location	Average	Average	0%	Average	0%	Average	0%	Average	0%	Average	0%
Size in Acres	100.0	100.0	0%	100.0	0%	100.0	0%	100.0	0%	100.0	0%
Topography	Gentle Roll	Gentle Roll	0%	Gentle Roll	0%	Gentle Roll	0%	Gentle Roll	0%	Gentle Roll	0%
Tillable Acres (%)	75%	75%	0%	75%	0%	75%	0%	75%	0%	75%	0%
Soils (% Prime)	75%	75%	0%	75%	0%	75%	0%	75%	0%	75%	0%
Resid Opp/Except	1 RO/2 Exc	1 RO/2 Exc	0%	1 RO/0 Exc	0%	1 RO/2 Exc	0%	1 RO/2 Exc	0%	1 RO/1 Exc	0%
Other	None	None	0%	None	0%	None	0%	None	0%	None	0%
Net Adjustment			0%		0%		0%		0%		0%
INDICATED VALUE PER ACRE		**$1,000**		**$1,000**		**$1,000**		**$900**		**$1,000**	
Total Gross Adjustments			0%		0%		0%		0%		0%
Total Net Adjustments			0%		0%		0%		0%		0%

Mean Price/Acre Unadjusted	$980
Mean Price/Acre After Adjustment	$980
Estimated Value per Acre	**$1,000**

After Valuation Conclusion Summary

As in the Before valuation, the land value and agricultural improvement value must be totaled and converted into a blended per acre value.

All remaining PDCs are assumed to have been retired and offer no value.

The following is a sample After value format, each of the following components must be included:

Land Value After (100 net acres @ $3,000 per acre)	$300,000
Plus: Depreciated Value of Agricultural Improvements	$25,000
Plus: Value of 0 Severable Rights (0 PDCs)	0
Total After Value	**$325,000**
$325,000 Divided by 100.00 net acres = **$3,250 per acre**	

Development Easement Valuation

Final Value Conclusions

Before and After valuation totals must be summarized to estimate the value of the Development Easement.

The following is a sample summary:

	Per Acre Values	Total Values
Estimated Value Unrestricted (Before)	$7,250	$725,000
Estimated Value Restricted (After)	$3,250	$325,000
Estimated Value of Development Easement	**$4,000**	**$400,000**

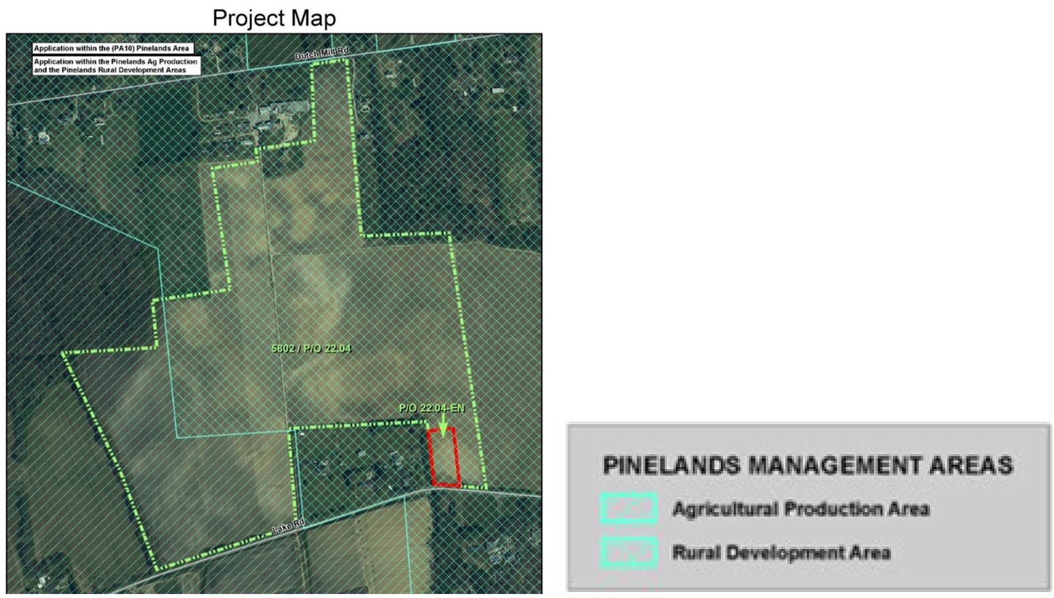
Test for Reasonableness

When considering easement value, the appraiser should understand that the property owner could sell the severable PDCs at market rate without the additional encumbrances of a farmland preservation deed of easement. Therefore, the concluded easement value should be at least equivalent to the market value of the severable PDCs plus some increment of value for the additional restrictions (reduced property rights) associated with the farmland easement.

Split Management Areas

Occasionally, the subject farm may have split Pinelands Management Areas (PMA) and municipal zoning boundaries. Sometimes, one of the PMAs may qualify for PDCs while the other does not. The appraiser must confirm eligibility for PDCs in each PMA and estimate the value contribution of each portion of the property.

See the following project map of an example that illustrates one parcel with two different PMAs:



Before Value for Each Management Area

Each portion of the subject must be valued separately by PMA, but <u>not</u> as if being sold separately. For this reason, the valuation may involve two different sets of comparable sales and two adjustment grids. Acreage estimates for each PMA should be listed in the AOC.

Being in different PMAs does not mean the portions are subdivided and therefore, if two sets of sales and adjustment grids are used in the Before valuation, they should <u>not</u> be treated as "stand alone" lots. Since a buyer would be purchasing the overall property, each portion should be valued as part of the overall property and the **gross** land area shall be used in both grids for the size/economies of scale adjustment. To calculate the totals however, the overall **net** acreage (without exception area) is used, like any other farmland appraisal.

If the property (or portion of the property) qualifies for PDCs, the agricultural improvements outside the exception area(s) must be valued. The value of the agricultural improvements and PDCs must be itemized separately, and the total converted to a blended per acre rate.

It is important for the appraiser to follow the sample format below for SADC internal purposes, which includes separate totals for each PMA:

Total Before Value

<u>Area with PDCs:</u>	
Land Value – AP Area: (17.74 acres @ $5,000 per acre)	$88,700
Plus: Depreciated Value of Agricultural Improvements	25,000
Plus: Value of 10 Severable Rights (2.5 PDCs)	<u>200,000</u>
Total AP Area:	$313,700
<u>Area without PDCs:</u>	
Land Value – RD Area (net of Exception): (51.51 acres @ $7,000 per acre)	<u>$360,600</u>
Total Before Value	**$674,300**

$674,300 Divided by 69.25 overall net acres = **$9,700 per acre**

<u>After Value for Overall Property</u>

The After value can be established using one set of restricted farm sales for the overall farm, following the instructions in the After Valuation portion of the Pinelands section of the handbook. There will be no severable PDCs as they are assumed to be retired. The number of reserved rights will be indicated in the AOC and will be valued with the land as residential opportunities.

The depreciated value of agricultural improvements in the area qualifying for PDCs must be included as in the Before value.

Special thank you to Gina Berg, Resource Planner at the NJ Pinelands Commission, who contributed to the Pinelands portion of the handbook.

Fastige Farm, Gloucester County

APPENDIX A

APPRAISAL ORDER CHECKLIST

Application Name: **SADC ID#:**

Program: ☐ SADC Easement ☐ County PIG ☐ Nonprofit Easement

☐ SADC Fee Simple ☐ Municipal PIG ☐ Nonprofit Fee Simple

Acreage - *Acreage should match the SADC maps.*

Limit Rounding to Two Decimal Places.

	Gross Acreage of Property
	Less: Acreage attributed to NJ Claimed Tidelands
	Adjusted Gross Acreage
	Less: Total Acreage of Exceptions
	Net Acreage of Property to be preserved

Summary of Residential Opportunities

Number in Easement Area:

	RDSOs - Residual Dwelling Site Opportunities
	Existing single-family residential buildings in proposed easement area
	Other *ancillary residential units (such as apartments, etc.)*

Number in Non-severable Exception Areas:

	Existing single-family residential buildings
	Future single-family residential buildings

Number in Severable Exception Areas:

	Existing single-family residential buildings
	Future single-family residential buildings
	Total Number of Residential Opportunities

Zoning District at the time of Application:

- Zoning District:
- Minimum Lot Size:
- Minimum Frontage or Lot width:

Duplicate if multiple.

Other conditions impacting development:

For example: cluster provision, flag lots or common driveway, public water / sewer, etc.

Highlands Region: ☐ **Preservation Area** ☐ **Planning Area**

If eligible for dual appraisal provision, please note the zoning district as of 01/01/2004:

- Zoning District:
- Minimum Lot Size:
- Minimum Frontage or Lot width:

Pinelands Region: ☐**Agricultural Production** ☐ **Special Agricultural Production** ☐ **Preservation Area**

All Pinelands appraisals in the above areas must have a Letter of Interpretation (LOI) from Pinelands Commission indicating the number of Pinelands Development Credits (PDCs) for which the property is qualified.

Existing Easements: *For example: access, conservation, powerlines, etc.*

Additional Restrictions:

For example: impervious cover, house size limitations, division, or consolidation, etc.

Additional conditions, notes or special instructions:

For example: specific date of value, development approvals, development credits, improvements to be valued, etc.

Signature of Project Coordinator:

Name / Signature : ______________________________ Date: ______________

Phone: ____________________________ Email: ______________________________

Entity: ________________________________

County, Municipality, Nonprofit, SADC

The Appraisal Order Checklist is to be used in conjunction with the Application beginning on the next page:

Application for Farmland Preservation

NEW JERSEY
State Agriculture Development Committee

Program: ☐ **SADC Easement** ☐ **County PIG** ☐ **Nonprofit Easement**
☐ **SADC Fee Simple** ☐ **Municipal PIG** ☐ **Nonprofit Fee Simple**

Landowner(s):____

Mailing Address:____

Farm Address:____

Email:____

Primary Phone:____________________ Alternate Phone:____________________

County:____________________ **Total Farm Acreage:** ____________________

Municipality: ____________________ Block: __________Lot: __________ Acres __________

Municipality: ____________________ Block: __________Lot: __________ Acres __________

Municipality: ____________________ Block: __________Lot: __________ Acres __________

Municipality: ____________________ Block: __________Lot: __________ Acres __________

Primary Contact ☐ Same as Above

Name:____________________ Relation:____________________

Phone:____________________ Email:____________________

Please refer to the *Guide and Resource Booklet for the NJ Farmland Preservation Program* for more information on any of these sections.

If you have any questions, please contact your SADC Farmland Preservation Coordinator

- Atlantic, Camden, Cape May, Cumberland, & Gloucester: Heather Siessel heather.siessel@ag.nj.gov
- Bergen, Burlington, Hunterdon, Mercer, & Middlesex: Daphne Bacon daphne.bacon@ag.nj.gov
- Morris, Passaic, Somerset, Sussex, & Warren: David Zaback david.zaback@ag.nj.gov
- Monmouth, Ocean, & Salem: Katie Mazzella katie.mazzella@ag.nj.gov
- Preservation Program Manager: Stefanie Miller stefanie.miller@ag.nj.gov

SADC ID#:____________________

CURRENT RESIDENTIAL USES OF THE PROPERTY

Please be aware that the number of residential buildings associated with the property can impact the value.

Are there any residences on the farm within the easement area (outside of any exception areas)?

☐ **NO** ☐ **YES** If Yes, please describe how many and the type of residences.

Are any of the existing residences used for agricultural labor? ☐ **NO** ☐ **YES** If yes, please describe below:

RESIDUAL DWELLING SITE OPPORTUNITIES

For every **100 acres** without an existing residence or residential exception area, the farm is eligible for one Residual Dwelling Site Opportunities (RDSO). These future residential opportunities need to be approved by the easement holder and/or the SADC and the inhabitants of the residence must be involved in the agricultural activities on the farm.

If eligible, how many RDSOs would you like to reserve? _______________

NON-AGRICULTURAL ACTIVITIES

Are there existing non-agricultural uses on the farm? It is important to identify existing non-agricultural uses so they can continue after preservation. Expansion of these uses may be restricted by the Deed of Easement.
☐ **NO** ☐ **YES** If Yes, please describe the non-agricultural use and the frequency it occurs:

OFFERS OR APPROVALS

Do you have any written offers to purchase or lease the property for development? ☐ **NO** ☐ **YES**
If yes, please provide a copy of the offers.

Does the property have major subdivision or site plan approval? ☐ **NO** If Yes, note which below

☐ Subdivision / Site Plan Application submitted and deemed complete by the Municipality
☐ Preliminary Subdivision / Site Plan Approval
☐ Final Subdivision / Site Plan Approval

The SADC will need to review all available site plan materials to determine whether it can be considered in the appraisal process. Note any details on the offer or development application or approval below.

EXCEPTION AREAS

Exception Areas are not covered by the Deed of Easement or restricted to agricultural use. Primary residential development rights retained for an exception area must be specified and considered in the appraisal process. Ancillary residential and non-residential uses are not restricted, unless requested, but such uses are subject to applicable municipal, county, state, and federal laws and regulations.

Landowners will not be paid for acreage within exception areas. A general location and acreage are needed for the appraisal process but will later be surveyed for precision. Exception areas cannot be moved or expanded once the farm is preserved.

Please review the Application Resource Booklet for more information about exception areas.

Please duplicate the page if necessary

Exception Area: ________ Acres ☐ Non-severable ☐ Severable

1. Is the exception area for ☐ existing or ☐ future residences? Or ☐ not for residential use.

   ☐ The exception area will be restricted to ☐ One single-family residence or ____(#) residences

   Type of residence(s) if other: ____________________

   ☐ Zero single-family residences: this exception is for flexibility of use.

2. Please describe any existing residences:

3. If the exception is for future residences, please describe the type and number of residences requested:

4. Does the exception contain the existing/proposed septic & utilities for the residence(s) or other uses?

   ☐ YES ☐ NO Please review the Septic Policy for additional information.

5. Does the exception contain any other buildings? ☐ NO ☐ YES If Yes, please describe below:

Exception Area: ________ Acres ☐ Non-severable ☐ Severable

1. Is the exception area for ☐ existing or ☐ future residences? Or ☐ not for residential use.

   ☐ The exception area will be restricted to ☐ One single-family residence or ____(#) residences

   Type of residence(s) if other: ____________________

   ☐ Zero single-family residences: this exception is for flexibility of use.

2. Please describe any existing residences:

3. If the exception is for future residences, please describe the type and number of residences requested:

4. Does the exception contain the existing/proposed septic & utilities for the residence(s) or other uses?

   ☐ YES ☐ NO Please review the Septic Policy for additional information.

5. Does the exception contain any other buildings? ☐ NO ☐ YES If Yes, please describe below:

STATEWIDE FORMULA

Pursuant to P.L. 2023, c.245 and N.J.A.C. 2:76-26 et seq. the SADC has established a Statewide Farmland Preservation Formula as an alternative method for the valuation of farmland easements. The SADC will certify an unrestricted market value per acre, of which 50% will be used as the base value for the Statewide Formula. The Statewide Formula worksheet will be provided in combination with the SADC's Certified Value based on the other eligible valuation methods.

The Statewide Formula includes a potential increase for agricultural water availability and a forest management or stewardship plan.

* Do you have a water usage certification or registration issued by NJDEP pursuant to N.J.A.C. 7:20A?

☐ NO ☐ YES If Yes, a copy may need to be supplied.

* Do you have a woodland management plan or forest stewardship plan for the upland forest?

☐ NO ☐ YES If Yes, a copy needs to be supplied.

The Statewide Formula includes a potential increase in the development easement value by 5% of the per acre certified market value unrestricted for property of unique importance as defined below:

"Property of unique importance" means Property that is significant because of its value to the municipality or local region due to its unique attributes, the preservation of which supports the local economy or the goals of the municipal or regional master plan. The Property will meet this definition if, at a minimum, its unique attributes are easily identifiable, supported by sufficient evidence, <u>and such attributes are not assigned value in other Formula categories</u>. Examples of a "Property of unique importance" may include, but not be limited to, properties that have historical or cultural significance, properties that provide an important viewshed, or properties that produce a niche agricultural product or service.

Please indicate if this property has qualities to be considered of unique importance pursuant to the above definition and provide documentation of support:

The Statewide Formula offers voluntary deed restrictions (Pursuant to 2:76-26.9) for a 5% increase of the per acre certified market value unrestricted for each of the following restrictions to be included in the Deed of Easement. Please indicate if you would like to include these additional restrictions. A blank will be interpreted as an unwillingness to include the additional restrictions.

1. **A 10 percent impervious cover limitation. ☐ YES ☐ NO**
   For the purpose of the Deed of Easement, Impervious Cover means any structure or surface that prevents the infiltration of water into the land. Examples include, but are not limited to, pavement, sidewalks, surfaced driveways or parking areas, machine compacted soil or stone area, rooftops, buildings, barns, sheds, houses, garages, greenhouses, hoophouses, plastics or other impermeable ground covers. This term shall not apply to seasonal structures that remain in place for no more than 180 days, unimproved farm lanes, areas of field-based agriculture or seasonal ground coverings. This limitation does not include public roads or other roads owned or controlled by parties with rights superior to those rights conveyed to Grantee.

2. **A maximum house size limitation of 2,500 sq ft of heated living space. ☐ YES ☐ NO**
   a) This restriction shall apply to any residential buildings on the portion of the property being preserved or on a non-severable exception area.
   b) If any existing residential building is rendered uninhabitable by an event beyond the landowner's control, the residence can be rebuilt within the square footage existing as of the date of preservation, or 2500 square feet of heated living space, whichever is larger.

ACKNOWLEDGEMENT

Please note that if the farm proceeds to preservation, any mortgages or liens will have to be paid off or subordinated to the deed of easement prior to or at closing. Please contact your local coordinator and/or SADC Preservation Coordinator with questions.

If the landowner is a corporation we will need:

- Copy of Certificate of Incorporation
- Copy of By-Laws with any amendments and schedules
- Corporate Resolutions authorizing the preservation of the property

If the landowner is a Limited Liability Company (LLC), we will need:

- Operating Agreement
- Certificate of Formation

Applicant Signature:
By signing below you affirm that you are an owner of the property or otherwise have the authority to act on behalf of the owner. You also are affirming that you received the Guide and Resource Booklet for the NJ Farmland Preservation Program which includes important information about farmland preservation and includes a copy of the standard Deed of Easement.

Signature: ______________________________ Date: ____________

Signature: ______________________________ Date: ____________

Signature: ______________________________ Date: ____________

Signature: ______________________________ Date: ____________

Signature: ______________________________ Date: ____________

Additional Comments or Questions:

APPENDIX B

Residential Opportunity Adjustment Guide

	1	2	3	4	5
Subject Has ↓	**Sale has RDSO**	**Sale has Non Severable Exception**	**Sale has Existing Residence**	**Sale has Severable Exception**	**Sale has No Residential Opportunity**
A. RDSO	**A1** Subject is Equal	**A2** Subject is Inferior or Equal	**A3** Subject is Inferior or Equal	**A4** Subject is Inferior or Equal	**A5** Subject is Superior
B. Non-Severable Exception	**B1** Subject is Superior or Equal	**B2** Subject is Equal	**B3** Subject is Superior or Equal	**B4** Subject is Inferior or Equal	**B5** Subject is Superior
C. Existing Residence	**C1** Subject is Superior or Equal	**C2** Subject is Equal or Inferior	**C3** Subject is Equal	**C4** Subject is Inferior or Equal	**C5** Subject is Superior
D. Severable Exception	**D1** Subject is Superior or Equal	**D2** Subject is Superior or Equal	**D3** Subject is Superior or Equal	**D4** Subject is Equal	**D5** Subject is Superior
E. No Res. Opportunity	**E1** Subject is Inferior	**E2** Subject is Inferior	**E3** Subject is Inferior	**E4** Subject is Inferior	**E5** Subject is Equal

All adjustments for residential opportunities are solely each appraiser's opinion. The above guide is merely a generalized table designed to assist the appraiser in their adjustment process. An appraiser may have a different opinion than those expressed in this guide but will likely be asked to clearly explain their rationale. For example; housing size and other limitations placed on RDSOs or exceptions could have an effect on how the appraiser interprets comparability.

APPENDIX C

EMINENT DOMAIN OF PRESERVED FARMLAND

There are occasions where the preserved farm may be subject to eminent domain takings by authorized government entities pursuant to N.J.S.A. 4:1C-25. In addition, certain interstate gas pipeline projects have authority to condemn preserved farmland under the Federal Natural Gas Act. This section is meant to advise appraisers as to the required techniques and conditions of appraising preserved farms that are subject to eminent domain takings.

1. **All appraisals must be conducted under the hypothetical condition that the farm is unencumbered by the agricultural easement in order to secure just compensation to the easement holder and funding partners based on current value of the land.** Highest and Best Use is still as of the date of the eminent domain appraisal but subject to the hypothetical condition that the property is unencumbered by the agricultural easement. This is regardless of the highest and best use conditions that the property was preserved under.

2. All takings must be appraised based on the hypothetical condition of the land as unencumbered by the agricultural easement. This includes fee takings, easements, temporary easements or temporary workspace areas as well as damages to the remainder.

3. The easement holder is not entitled to compensation for impacts to improvements, crop losses/damages or other damages unrelated to the value of the land. If the appraiser's assignment is to determine compensation for such items, it will be necessary to break out the value of those improvements or crops from the value of the lands under appraisal. In cases where appraisals are not clear as to the contributory value of land and improvements, the appraiser should discuss the need for a separate land only appraisal with his client.

4. The appraiser's client should provide the appraiser with a detailed map and description of the subject property and taking(s). In instances where takings encumber both preserved and unpreserved areas of a farm, it is not the appraiser's responsibility to determine compensation to all parties concerned, only to value the property as completely unencumbered. It is the condemnor and easement holder's responsibility to determine appropriate compensation due the easement holder or landowner.

APPENDIX D
DEED OF EASEMENT

Link to SADC website for sample deed of easement: https://www.nj.gov/agriculture/sadc/farmpreserve/resources/standarddeeds.html

Glossary of Terms:

Easement – The land area an owner is being compensated for that will be deed restricted from future development.

Exception Area – A portion of the farm that will be excluded from the easement area (and thus not compensated for). It will not be deed restricted from future development.

"On the Premises" – On the easement area (NOT in the exception area); generally refers to improvements, i.e. Grantor has One (1) existing single family residential building on the Premises

Appraisal-related Paragraphs:

12 – Indicates if there are any existing residential buildings (in older deeds)

13 – Indicates if there are any existing residential buildings (in more current deeds)

13(a) – Indicates there is a 13(b), which means there is an exception area
13(b) – Exception Areas
- Should note if the exception area is non-severable or severable
- Should note any limit on number of residential units

14 – Indicates any Residual Dwelling Site Opportunity (RDSO)
- This is a future residential opportunity only and must be occupied by someone actively involved in the farming operation.

14iii – Indicates if there are any size restrictions on the RDSO

23 – Indicates a ratio of Easement value to Before value at the time of preservation

Schedule A – legal description of the property
- Should include a reduced copy of the survey, which may reference existing improvements or restrictions on replacement of existing improvements

Schedule C – description of the exception area(s); multiple exception areas will be noted as Schedule C-1, C-2, etc.

APPENDIX E

ADDITIONAL HELPFUL DOCUMENTS

Rules and Policies: https://www.nj.gov/agriculture/sadc/rules/

A. Appraiser Selection Rule - N.J.A.C. 2:76-6.21

B. Appraiser Retention and Removal Rule - N.J.A.C. 2:76-6.22

C. Appraisal Handbook Standards - N.J.A.C. 2:76-10.1 et seq.

Statutes

A. Agriculture Retention and Development Act - N.J.S.A. 4:1C-11 et seq., P.L. 1983, c.32
https://www.nj.gov/agriculture/sadc/documents/rules/ARDA.pdf

B. Garden State Preservation Trust Act, P.L. 1999, c.152, N.J.S.A. 13:8C-1 et seq
https://www.nj.gov/agriculture/sadc/documents/rules/GSPTA.pdf

Miscellaneous Program Information

A. U.S. Department of Agriculture-Natural Resources Conservation Service ALE Deed Comparison
https://www.nj.gov/agriculture/sadc/documents/appraisals/Deed_Comparison_Chart.pdf

B. County Agriculture Development Board Administrators Contact Information
https://www.nj.gov/agriculture/sadc/farmpreserve/contacts/cadbs.html

APPENDIX F

Sample LOI #1

State of New Jersey
THE PINELANDS COMMISSION
PO Box 359
New Lisbon, NJ 08064
(609) 894-7300
www.nj.gov/pinelands

PHILIP D. MURPHY
Governor
SHEILA Y. OLIVER
Lt. Governor

RICHARD PRICKETT
Chairman
NANCY WITTENBERG
Executive Director

General Information: Info@pinelands.nj.gov
Application Specific Information: AppInfo@pinelands.nj.gov

LETTER OF INTERPRETATION [redacted]

April 28, 2020

[redacted]

Re: Application # 2011-0054.002
[redacted]
Tabernacle Township

FINDINGS OF FACT

The applicants own the above referenced 78.43 acre parcel in Tabernacle Township. This acreage is based on a survey. The parcel is located in a Pinelands Agricultural Production Area. Pursuant to N.J.A.C. 7:50-4.72(a)1, the applicants are requesting a Letter of Interpretation (LOI) as to the number of Pinelands Development Credits (PDCs) which are allocated to this parcel.

The parcel consists of 15.03 acres of uplands and 55.24 acres of wetlands in active field agriculture. The field agriculture was established before February 7, 1979. The remaining 8.16 acres are wetlands as defined by N.J.A.C. 7:50-6.5(a). The applicant reserves the right to undertake field mapping to further refine the acreage of uplands and wetlands on the parcel. A single family dwelling and structures accessory to the active field agricultural use are located on the parcel. No resource extraction operation or other development has been approved for this parcel pursuant to the provisions of the Pinelands Comprehensive Management Plan (CMP).

The CMP (N.J.A.C. 7:50-5.43(a)), in part, provides that PDCs are not allocated to lands which are subject to an easement limiting the use of the lands to non-residential uses. There are three conservation easements encumbering 15.01 acres of the parcel. The conservation easements provide that no dwelling, barns, outbuildings, roads, ditches or other structures shall be built within the easement area. The deed restriction does not define structure. The conservation easements prohibit residential use. The conservation easements may also prohibit non-residential uses. The applicant has been unable to demonstrate whether the three conservation easements permit or prohibit nonresidential use of the 15.01 acres. The applicant has requested that the acreage of the three conservation easements located on the parcel be excluded from the acreage of the parcel that is allocated PDCs.

There is also a 0.37 acre 12 foot wide access easement located on the parcel. The applicant has been unable to demonstrate whether the access easement permits or prohibits nonresidential use of the 0.37

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acres. The applicant has requested that the acreage of the access easement located on the parcel be excluded from the acreage of the parcel that is allocated PDCs.

The remaining 63.05 acres of the parcel that are not encumbered by the four easements consists of 14.41 acres of uplands and 46.85 acres of wetlands in active field agriculture. The field agriculture was established before February 7, 1979. The remaining 1.79 acres are wetlands as defined by the CMP (N.J.A.C. 7:50-6.5(a)).

CONCLUSION

The CMP grants, with certain exceptions, to every parcel of land in a Pinelands Agricultural Production Area, a use right known as "Pinelands Development Credits," that can be used to secure a residential density bonus for lands located in a Pinelands Regional Growth Area (N.J.A.C. 7:50-5.43). None of these exceptions apply to this parcel.

The CMP establishes the ratio by which PDCs are allocated in a Pinelands Agricultural Production Area (N.J.A.C. 7:50-5.43(b)2). Two PDCs are allocated for every 39 acres of uplands, except for uplands which are mined as a result of a resource extraction permit approved pursuant to the provisions of the CMP; for areas of active berry agricultural bogs and fields and for wetlands in active field agricultural use as of February 7, 1979. There are 0.2 PDCs allocated for every 39 acres of other wetlands.

For the 14.41 acres of uplands, the parcel would be entitled to 0.74 PDCs. For the 46.85 acres of wetland soils in active field agriculture, the applicant would be entitled to 2.40 PDCs. For the 1.79 acres of other wetlands, the applicant would be entitled to 0.01 PDCs.

Not considering the existing single family dwelling there would be 3.15 PDCs allocated to the parcel. However, N.J.A.C. 7:50 5.43(b)3ii requires that the PDC allocation for the parcel be reduced by 0.25 PDCs for each existing dwelling unit on the parcel. Based upon the existing dwelling, there would be 2.90 PDCs allocated to the parcel.

PDCs are transacted (allocated, severed and redeemed), with limited exceptions, in 0.25 PDC increments (0.25 PDC = 1 dwelling unit).

Therefore, there are 3.0 PDCs allocated to Block [redacted] Lot [redacted].

This LOI for an allocation of PDCs is valid for five years from the date of issuance (N.J.A.C. 7:50-4.76(b)).

APPEAL

The CMP (N.J.A.C. 7:50-4.55) provides an interested party the right to appeal this LOI in accordance with N.J.A.C. 7:50-4.91. An interested party is someone who has a specific property interest sufficient to require a hearing on constitutional or statutory grounds. Only appeal requests submitted by someone meeting the definition of an interested party will be transmitted to the New Jersey Office of Administrative Law for hearing. Any such appeal must be made in writing to the Commission within eighteen days of the date of this LOI and must include the following information:

1. the name and address of the person making the appeal;

2. the application number;

2. a brief statement of the basis for the appeal; and

3. a certificate of service (a notarized statement) indicating that service of the notice has been made, by certified mail, on the clerk of the county, municipal planning board and environmental commission with jurisdiction over the property which is subject of this decision.

If no appeal is received within eighteen days of the date of this LOI, the LOI shall become binding.

If you are interested in "severing" the allocated PDCs from the parcel and/or information regarding the sale of PDCs, please visit the Pinelands Development Credit Bank's website at http://www.nj.gov/pinelands/pdcbank/ or contact the PDC Bank at 609-894-7300.

Sincerely,

Charles M. Horner, P.P.
Director of Regulatory Programs

c: Secretary, Tabernacle Township Planning Board (via email)
Tabernacle Township Construction Code Official (via email)
Secretary, Burlington County Planning Board (via email)
Susan R. Grogan, Executive Director, PDC Bank (via email

Sample LOI #2

State of New Jersey
THE PINELANDS COMMISSION
PO Box 359
New Lisbon, NJ 08064
(609) 894-7300
www.nj.gov/pinelands

Philip D. Murphy
Governor
Sheila Y. Oliver
Lt. Governor

General Information: Info@pinelands.nj.gov
Application Specific Information: AppInfo@pinelands.nj.gov

Laura E. Matos
Chair
Susan R. Grogan
Acting Executive Director

AMENDED LETTER OF INTERPRETATION [redacted]
(Renewal)

March 10, 2022

[redacted]

Re: Application # 1998-0102.003
[redacted]
Shamong Township

FINDINGS OF FACT

The applicants own the above referenced 49.39 acre lot in Shamong Township. This acreage is based upon the recorded deed. The lot is located in a Pinelands Agricultural Production Area. Pursuant to N.J.A.C. 7:50-4.72(a)1, the applicants are requesting a Letter of Interpretation (LOI) as to the number of Pinelands Development Credits (PDCs) which are allocated to this lot.

On December 2, 2003, the Commission issued LOI # [redacted] allocating 1.25 PDCs to original 52.62 acre Block 19.01, Lot 8.01. That LOI reserved the right to build four dwellings on the lot. That LOI expired on December 2, 2005.

An application for a two lot subdivision and no further development of Block 19.01, Lot 8.01 was approved on October 9, 2014 pursuant to the provisions of the Pinelands Comprehensive Management Plan (App. No. 1998-0102.002). That application located an existing dwelling on a 3.2 acre lot and created the 49.39 acre lot subject of this application for a renewal of LOI # [redacted].

On October 15, 2014, the Commission issued Amended LOI # [redacted]. The Amended LOI reflected a change in ownership, a change in acreage of Block 19.01, Lot 8.01 based upon the subdivision approved in App. No. 1998-0102.002 and eliminated the reserved rights to build dwellings on the lot. Amended LOI # [redacted] expired on October 15, 2019.

The applicants have requested a renewal of Amended LOI # [redacted]. The expired Amended LOI # [redacted] relied upon a subdivision plan as the basis for the acreage of the lot. The subdivision plan indicated that the lot contains 49.36 acres. The recorded deed submitted for this renewal of Amended LOI # [redacted] indicates that the lot contains 49.39 acres. This renewal of Amended LOI # [redacted] allocates PDCs based upon the acreage of the recorded deed. The applicant has not otherwise requested any changes to the facts for this renewal of the Amended LOI.

There are two structures accessory to an agricultural use on the lot. There are no easements limiting the use of this lot to nonresidential uses. No resource extraction operation or other development has been approved for this lot pursuant to the provisions of the CMP.

The lot consists of 46.42 acres of uplands and 2.97 acres of wetlands as defined by N.J.A.C. 7:50-6.5(a). The acreage of uplands and wetlands on the lot was determined using currently available in-house mapping technology and resources. The applicants reserve the right to undertake field mapping to further refine the acreage of uplands and wetlands on the lot.

CONCLUSION

The CMP grants, with certain exceptions, to every parcel of land in a Pinelands Agricultural Production Area, a use right known as "Pinelands Development Credits," that can be used to secure a residential density bonus for lands located in Pinelands Regional Growth Areas (N.J.A.C. 7:50-5.43). None of these exceptions apply to this lot.

The CMP establishes the ratio by which PDCs are allocated in a Pinelands Agricultural Production Area (N.J.A.C. 7:50-5.43(b)2). Two PDCs are allocated for every 39 acres of uplands, except for uplands which are mined as a result of a resource extraction permit approved pursuant to the provisions of the CMP; for areas of active berry agricultural bogs and fields and for wetlands in active field agriculture use currently and as of February 7, 1979. There are 0.2 PDCs allocated for every 39 acres of other wetlands.

With respect to the 46.42 acres of uplands, the lot would be entitled to 2.38 PDCs. For the 2.97 acres of wetlands, the lot would be entitled to 0.02 PDCs. The lot would be entitled to a total of 2.40 PDCs.

PDCs are transacted (allocated, severed and redeemed), with limited exceptions, in 0.25 PDC increments (0.25 PDC = 1 dwelling unit). The CMP (N.J.A.C. 7:50-5.43(b)5) provides that PDC allocations shall be rounded to the nearest 0.25 PDC.

Therefore, there are 2.5 PDCs allocated to Block [redacted], Lot [redacted]

This LOI for an allocation of PDCs is valid for five years from the date of issuance (N.J.A.C. 7:50-4.76(b)).

APPEAL

The CMP (N.J.A.C. 7:50-4.55) provides an interested party the right to appeal this LOI in accordance with N.J.A.C. 7:50-4.91. An interested party is someone who has a specific property interest sufficient to require a hearing on constitutional or statutory grounds. Only appeal requests submitted by someone meeting the definition of an interested party will be transmitted to the New Jersey Office of Administrative Law for hearing. Any such appeal must be made in writing to the Commission within eighteen days of the date of this LOI and must include the following information:

1. the name and address of the person making the appeal;
2. the application number;
3. a brief statement of the basis for the appeal; and

4. a certificate of service (a notarized statement) indicating that service of the notice has been made, by certified mail, on the clerk of the county, municipal planning board and environmental commission with jurisdiction over the property which is subject of this decision.

If no appeal is received within eighteen days of the date of this LOI, the LOI shall become binding.

If you are interested in "severing" the allocated PDCs from the parcel and/or information regarding the sale of PDCs, please visit the Pinelands Development Credit Bank's website at http://www.nj.gov/pinelands/pdcbank/ or contact the PDC Bank at 609-894-7300.

Sincerely,

Charles M. Horner, P.P.
Director of Regulatory Programs

c: Secretary, Shamong Township Planning Board (via email)
Shamong Township Construction Code Official (via email)
Secretary, Burlington County Planning Board (via email)
Susan R. Grogan, Executive Director, PDC Bank (via email)

APPENDIX G

Pinelands Deed Restriction form - Agricultural Production Area

PREPARED BY
____
SIGNATURE
____
TYPED OR PRINTED NAME

PINELANDS DEVELOPMENT CREDIT DEED RESTRICTION
FOR AGRICULTURAL PRODUCTION AREA

THIS INDENTURE DATED ______________________________

Made by:____
[Name(s) and Address(es) of Landowner(s)]

____

____

____
Hereinafter referred to as GRANTOR;

In favor of the State of New Jersey, Department of Environmental Protection, C/O NJ PDC Bank, P.O. Box 359, New Lisbon, New Jersey 08064, hereinafter referred to as the GRANTEE.

This transfer is made for no monetary consideration.

WITNESSETH:

WHEREAS, GRANTOR owns in fee simple all that certain land known as (legal description including Tax Map Block & Lot, Municipality and County and property location

WHEREAS, the Land is located in an area designated under the Pinelands Comprehensive Management Plan as eligible for the use right known as Pinelands Development Credits; and

WHEREAS, the New Jersey Pinelands Commission has determined that there is/are _______________ transferable
NUMBER OF CREDITS
Pinelands Development Credit(s) allocated to the Land.

NOW THEREFORE, for and in consideration of the right to sell, transfer and assign the Pinelands Development Credit(s) allocable to the Land by means of a Pinelands Development Credit Certificate, the GRANTOR hereby conveys, sells, transfers and assigns to GRANTEE, its successors and assigns, the following conservation restriction:

1. The Land, which is located in an Agricultural Production Area, may only be used in perpetuity for the following uses: Agriculture; forestry; low intensity recreational uses in which the use of motorized vehicles is not permitted except for necessary transportation, access to water bodies is limited to no more than 15 feet of frontage per 1,000 feet of frontage on the water body, clearing of vegetation does not exceed five percent of the parcel, and no more than one percent of the parcel will be covered in impervious surfaces; agricultural commercial establishments, excluding supermarkets and restaurants and convenience stores, where the principal goods or products available for sale were produced in the Pinelands and the sales area does not exceed 5,000 square feet; agricultural products processing facilities; and accessory uses. Where permitted by a certified municipal land use ordinance or when the property is located in an uncertified municipality, the following additional uses may be specifically permitted in such deed restriction: airports and heliports accessory to agricultural uses and which are used exclusively for storage, fueling, loading, and operation of aircraft as part of an ongoing agricultural operation; fish and wildlife management; wetlands management; and agricultural employee housing as an accessory use.

2. Nothing herein contained shall be construed to convey to the public any right of access to or use of the Land, and GRANTOR, for itself, its successors and assigns shall, subject to Paragraph 3 hereof, retain the exclusive right of access and the use of the Land.

3. This conservation restriction shall be fully enforceable by the GRANTEE as well as by the New Jersey Pinelands Commission, which is a specific beneficiary of this conservation restriction, in an action at law or equity or both. Moreover, GRANTEE and the New Jersey Pinelands Commission and their respective agents shall be permitted access to, and to enter upon, the Land at all reasonable times but solely for the purpose of inspection in order to enforce and assure compliance with the terms and conditions herein contained. GRANTEE and the New Jersey Pinelands Commission agree to give the GRANTOR 24 hour advance notice of their intention to enter the Land, and further, to limit such times of entry to daylight hours on regular business days of the week.

4. It is understood that this instrument imposes no obligation on the GRANTOR and no restrictions on the development of the Land or the making or construction of improvements thereon in furtherance of the uses of the Land specifically reserved and set forth in Paragraph 1 hereof. Nothing herein contained shall be construed to interfere with the right of the GRANTOR, its successors, assigns, licensees and any party claiming under them to utilize the Land in such a manner as they may deem desirable within the scope of the uses herein reserved to the GRANTOR in Paragraph 1 hereof.

5. This instrument shall be binding upon the GRANTOR, it successors and assigns.

IN WITNESS WHEREOF, and intending to be legally bound, the GRANTOR has executed this indenture.

By: ____
WITNESS (PRINT NAME OF ATTESTING WITNESS BELOW SIGNATURE)

By: ____
GRANTOR (PRINT NAME BELOW SIGNATURE)

By:____
GRANTOR (PRINT NAME BELOW SIGNATURE

STATE OF NEW JERSEY, COUNTY OF SS:

I CERTIFY that on ____________________________________, 20______,

[INSERT GRANTOR'S NAME(S)]____

personally came before me and acknowledged under oath, to my satisfaction that this person (f more than one, each person):

a. is named in and personally signed this document; and
b. signed, sealed and delivered this document as his or her act and deed; and
c. this transfer is made for no monetary consideration.

Signed and sworn before me

On ________________________, 20____

____
(NOTARY'S SIGNATURE, COMMISSION AND SEAL)

DEED Dated:

From: Record and Return to:

PINELANDS DEVELOPMENT CREDIT BANK
P.O. BOX 359
NEW LISBON, NJ 08624-0359

Grantor

TO

State of New Jersey
Department of Environmental Protection

Grantee

Richard J. Martin
SADC Review Appraiser
richard.martin@ag.nj.gov
609-913-6570

Jolyn Czerniecki
SADC Review Appraiser
jolyn.czerniecki@ag.nj.gov
609-913-6586