

**STATE AGRICULTURE DEVELOPMENT COMMITTEE**

**POLICY**

**VALUATION OF DEVELOPMENT EASEMENTS IN THE PINELANDS**

**I. Purpose**

To establish a method of adjusting the value of development easements, calculated pursuant to the formula set forth in N.J.A.C. 2:76-19, to account for the Pinelands Development Credits associated with existing houses, future houses, existing year-round agricultural labor houses and future year-round agricultural labor houses.

**II. Authority**

N.J.A.C. 2:76-19  
N.J.S.A. 4:1C-5f  
N.J.S.A. 13:8C-38

**III. Summary Policy for Adjusting the Value of Development Easements**

Values for development easements in the Pinelands are calculated pursuant to a formula set forth in N.J.A.C.2:76-19. When the SADC acquires development easements on farms in the Pinelands, it is acquiring all non-agricultural development rights, including Pinelands Developments Credits that have been allocated to the farm. Pursuant to the Pinelands Comprehensive Management Plan (“PCMP”), N.J.A.C. 7:50, when a landowner in the Pinelands sells its Pinelands Development Credits (PDCs), the number of PDCs is reduced by ¼ credit for each existing house, including year-round agricultural labor houses, and for each future house or year-round agricultural labor housing the landowner anticipates building. When the SADC acquires an easement on a farm on which the landowner is retaining PDCs or where the PDC allocation has been reduced for existing houses, the SADC is not acquiring those PDCs that the landowner is retaining or did not receive.

Pursuant to N.J.A.C. 2:76-19.4, the base value of a development easement is determined according to whether the property is uplands or wetlands and the allocation of Pineland Development Credits. Additional adjustments in value are made based on the following factors:

1. Regional Environmental Quality Areas;
2. Site-specific environmental quality factors;
3. Scenic corridors and access to markets;
4. On-site septic suitability;
5. Agriculture viability factors; and
6. Special importance environmental resource factors.

The valuation formula does not include an adjustment for PDCs retained by the landowner as identified above. Since the landowner is retaining PDCs for existing or proposed residential opportunities, the landowner is also retaining a value for which he or she should not be compensated. Therefore, the SADC must adjust the per acre development easement value based on the reduction of PDCs retained for existing and future houses on the property.

In the event that the Pinelands Commission contributes funding to the acquisition of development easements, the amount it contributes is based on the number of PDCs allocated to each farm. When a farm's PDC allocation is reduced to account for houses as set forth above, the Commission's funding contribution also decreases.

If a landowner has reserved a portion of its property that will not be included in the preserved premises ("exception area"), the size of the exception area will be deducted from the gross acreage of the farm when calculating the total easement value. If there is an existing house or if a landowner has retained PDCs to construct future houses on an exception, the easement value will be reduced based either on the acreage of the exception or on the number of existing and future houses that are located or will be located on the exception.

#### **IV. Methodology for Adjustments**

- A. The SADC has determined that each existing house and future house in the Pinelands, including year-round agricultural labor houses, represents a value associated with 4.875 acres. This calculation is based on the PCMP's designation of each house being the equivalent of one "right" and of four rights equaling one PDC. Based on the fact that there are 2 credits per 39 acres on upland areas (where it is presumed that houses will be located), each house, or "right" is the equivalent of 4.875 acres.
- B. Existing or Future Houses on Property to be Preserved
  - 1. For valuation purposes, the following shall occur:
    - a. The total easement value shall be reduced by the number of existing and future houses (for which PDCs have been retained) multiplied by 4.875 acres multiplied by the per-acre formula value.
    - b. In the event that a Residual Dwelling Site Opportunity (RDSO) is allocated the total easement value shall be reduced by the number of RDSOs for which PDCs have been retained, multiplied by 4.875 acres multiplied by the per acre formula value.
  - 2. For restriction purposes, the metes and bounds description of the premises shall encompass the area where the house is or will be located.

**C. Existing or Future Houses on Exception Areas**

1. For valuation purposes, the following shall occur:
  - a. If an Exception Area is less than 4.875 acres and contains one house (existing or to be built in the future with reserved PDCs), the total easement value shall be reduced by 4.875 multiplied by the per acre formula value.
  - b. If an Exception Area is less than 4.875 acres and contains more than one house (existing or to be built in the future with reserved PDCs), the total easement value shall be reduced by the number of houses multiplied by 4.875, multiplied by the per acre formula value.
  - c. If an Exception Area is greater than 4.875 acres, and contains one house (existing or to be built in the future with reserved PDCs), the total easement value shall be reduced by the number of acres of the Exception Area, multiplied by the per acre formula value.
  - d. If an Exception Area is greater than 4.875 acres and contains more than one house (existing or to be built in the future with reserved PDCs) the total easement value shall be reduced by the greater of the following:
    - i. the number of houses multiplied by 4.875, multiplied by the per acre formula value; or
    - ii. the number of acres of the Exception Area multiplied by the per acre formula value.
2. For restriction purposes, the metes and bounds description of the premises shall not encompass the "Exception Area", however, additional restrictions may pertain to the "Exception Area" such as limiting the number of residential units, right to farm language, etc.

