

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 4729
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JANUARY 26, 2023

SUMMARY

- Synopsis:** Revises method for appraisals of farmland to be acquired for farmland preservation purposes.
- Type of Impact:** Annual State and local expenditure increases.
- Agencies Affected:** State Agriculture Development Committee and local governments.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Expenditure Increase	Indeterminate
Local Expenditure Increase	Indeterminate

- The Office of Legislative Services (OLS) concludes that there would be a one-time expenditure increase by the State for the first year to develop the statewide farmland preservation formula required by the bill. The State Agriculture Development Committee estimates a one-time expenditure increase of between \$500,000 and \$1 million for a qualified appraisal firm to develop this formula.
- The OLS determines the bill would result in an increase in the cost for the State and local governments to purchase a development easement. The OLS cannot quantify this estimated increase because it cannot predict how many development easements will be acquired and the cost of acquiring those easements.

BILL DESCRIPTION

This bill would establish a new process for the determination of the value of a development easement to be acquired for farmland preservation purposes by the State Agriculture Development Committee, a local government unit, or a qualifying tax exempt nonprofit organization using, in whole or in part, constitutionally dedicated Corporation Business Tax monies deposited into the Preserve New Jersey Farmland Preservation Fund, pursuant to P.L.2016, c.12. This process would be used in addition to the appraisal processes in current law.



Under the bill, the committee would adopt, pursuant to the Administrative Procedure Act, a formula, to be known as the "Statewide Farmland Preservation Formula," that includes:

(a) conducting a sufficient number of fair market value appraisals of agricultural lands within the municipality in which the land is located;

(b) considering development easement values in counties and municipalities reasonably contiguous to, but outside of, the municipality in which the land to be acquired is located;

(c) considering the importance of preserving agricultural lands in the municipality and county in which the land is located;

(d) considering the status and value of natural resources in the municipality and county in which the land is located, and in counties and municipalities that are reasonably contiguous to, but outside of, the municipality and county in which the land is located;

(e) considering such other relevant factors as may be necessary to increase participation in the farmland preservation program by owners of agricultural lands located in the municipality and county in which the land is located, including, but not limited to, the rate of inflation, the quality of the agricultural soils, the size of the agricultural lands to be acquired, and the risk of conversion of the land from productive agriculture to nonagricultural use; and

(f) providing additional value for the proximity of agricultural lands located adjacent to preserved agricultural lands, lands preserved for recreation and conservation purposes, aquifer recharge areas, lands subject to development or conservation easements, utility and roadway rights-of-way, military bases, and airports and associated airspace.

The value determined pursuant to this new process would be used in addition to the processes contained in current law.

In addition, the bill would amend the Garden State Preservation Trust Act, which sets forth how value is to be calculated when the value of the farmland to be acquired is determined based upon the value of any pinelands development credits allocated to the parcel pursuant to the Pinelands Protection Act and the pinelands comprehensive management plan adopted pursuant thereto. Under this bill, that value would include consideration of the rate of inflation.

A landowner would be provided with the values determined pursuant to these different methods and the higher of the values would be used as the basis for negotiation with the landowner with respect to the acquisition price.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The OLS has not received a fiscal note from the Executive for this bill. However, the State Agriculture Development Committee provided informal information to the OLS that the bill would result in a one-time expenditure increase in order to develop the statewide farmland preservation formula. According to the committee, it would need to hire a qualified appraisal firm to assist in the evaluation and development of the formula. The committee noted that it previously hired a qualified appraisal firm to develop the Pinelands formula pursuant to the Garden State Preservation Trust Act. The development of the formula would likely cost between \$500,000 and \$1 million and would take up to a year to develop.

The State Agriculture Development Committee also expects there would be an increase in the cost of purchasing a development easement as a result of this bill. The committee believes that the increase in easement values could range between 25 and 50 percent. It should be noted that this is a very preliminary estimate, and the committee emphasized it would not know the impact

of the statewide farmland preservation formula until it gets deep into the evaluation process with the appraisal firm.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that there will be a one-time expenditure increase by the State for the first year to develop the statewide farmland preservation formula required by the bill. As previously noted, the State Agriculture Development Committee estimates there would be a one-time expenditure increase of between \$500,000 and \$1 million to develop the formula by a qualified appraisal firm. Also of note, the committee previously hired a qualified appraisal firm to develop a Pinelands formula pursuant to the Garden State Preservation Trust Act.

The OLS determines the bill would result in an increase in the cost for the State and local governments to purchase a development easement. The OLS notes that following the statewide farmland preservation formula required by the bill will increase the cost and time necessary for the State and local governments to perform an appraisal, pursuant to the new formula, of a development easement in order to offer a landowner a purchase price for the easement. However, the OLS cannot quantify this estimated increase because it cannot predict how many development easements will be acquired and the cost of acquiring those easements.

Section: Environment, Agriculture, Energy, and Natural Resources

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).