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Subject: LTP-Easement Compensation Procedure for FY2013 Wetland Reserve Program (WRP) Applications

TO: Washington State Technical Advisory Committee

In the tables below are the proposed Fiscal Year 2013 Geographic Area Rate Caps (GARCS) for Washington State. The GARCS are used to determine easement compensation values under NRCS WRP and WREP-RRPP easement signups. These rates are pending review and concurrence by the Washington State Technical Advisory Committee (STAC).

In accordance with WRP statute, regulations, and policy, NRCS must determine whether eligible lands may be enrolled in WRP based on the likelihood of successful restoration of wetland functions and values, taking into considering the cost of acquiring the easement and the cost of the restoration, protection, enhancement, maintenance, and management.

Each fiscal year the State Conservationist, in consultation with the State Technical Committee, must establish a process to determine easement and 30-year contract compensation values. The basis for the compensation offer for an easement or 30-year contract enrollment will be the lowest of the following: (i) The fair market value (FMV) of the land using either of the following: A Uniform Standards for Professional Appraisal Practices (USPAP) appraisal (see Section 514.32(C)) An area wide market analysis (AWMA) or survey (see Section 514.32(B)) (ii) The geographic area rate cap (GARC) (see Section 514.32(D)) (iii) An amount voluntarily offered by the landowner (see Section 514.32E).

For fiscal year 2013 NRCS Washington is proposing to use Geographic Are Rate Caps (GARCS) to establish easement and 30-yr contract compensation values. NRCS has acquired an Area Wide Market Analysis (AWMA) from Williams and Associates, Inc., a qualified appraisal service. The vendor was ordered to determine the fair market value for irrigated cropland, non-irrigated cropland, rangeland, pastureland and forestland. The intended use will be for NRCS consideration in generating internal offers for lands considered for easement program enrollment.

The analysis divided the state into three geographic regions, based on county boundaries (Figure 1). This will allow for a better comparison of comparable sales for lands having similar economic, social, climatic and governmental influences. The mean of the cash equivalent values for comparable sales for each land type, within the counties of each region, was used to establish the fair market value.

Figure 1 - Geographic regions used for 2013 GARC determinations



	West Area	Whatcom, Skagit, Snohomish, Island, Clallam, Jefferson, Grays Harbor, San Juan, Mason, Kitsap, King, Pierce, Thurston, Pacific, Lewis, Clark, Cowlitz, Wahkiakum, and Skamania
	Central Area	Okanogan, Douglas, Chelan, Kittitas, Grant, Benton, Yakima, and Klickitat
	East Area	Ferry, Stevens, Pend Oreille, Lincoln, Spokane, Adams, Whitman, Garfield, Franklin, Walla Walla, Columbia, and Asotin

The land types used in the GARC determinations are representative of those commonly seen in easement applications. Following is a listing of the land types and a brief description of their characteristics.

- **Irrigated Cropland (including subirrigated)** - land with a current or recent history of annual crop production, typically small grains and row crops, grown under irrigation or on soils that are naturally subirrigated.
- **Nonirrigated Cropland** - land with a current or recent history of annual crop production, typically small grains and row crops, but without the use of irrigation or without soils that are naturally subirrigated.
- **Pastureland/Hayland** - land with a current or recent history of forage production.
- **Forestland** - land that is currently in tree production.
- **Rangeland** - non-tilled land with primarily an herbaceous or shrub cover or that does not fit any of the categories above.

Under NRCS policy, GARC values must always be less than appraised values or values derived from an area wide market analysis. The GARCs must result in an easement compensation value that is fair compensation for the rights being acquired through the easement or 30-year contract. Under NRCS easements certain interests of the real estate are purchased and certain interests are reserved to the landowner. Therefore, the easement compensation should always be less than the fair market value (FMV). NRCS may use a percentage of the FMV that provides a balance between. This percentage is arrived at in consultation with the State Technical Advisory Committee (STAC). Washington NRCS appreciates the review and comments from the STAC and will incorporate them to the extent possible.

It is proposed that the GARC values for permanent easement offers will be 80% of the fair market value for each land type in each geographic region.

It is further proposed that compensation for 30-yr easements, 30-yr tribal land use contracts and WREP-reserved grazing rights grazing pilot easements be set at 75% of the GARC for permanent easements.

Values for the West Area counties are significantly higher (>20%) than for the rest of the state. These are reflective of the differences in economic and social conditions. Competition for open agricultural land and forestland by other uses has resulted in higher fair market values in the West Area counties.

Differences between the land type values of the Central Area and East Area counties range from non-significant for irrigated cropland (13%) to significant (>20%) for the other land types. Slightly significant differences (23%-25%) exist for pastureland and forestland values between the two areas. Pasture and forestland values in the East Area counties are higher due to the economic and social influences from the greater Spokane region and from higher soil productivity. Significant differences (43%-45%) are seen in the values for nonirrigated cropland and rangeland between the two areas. Nonirrigated cropland values in the East Area counties are due to higher productivity soils. Central Area rangeland values are higher due to their winter and early season grazing use that reduces reliance on more expensive supplemental feeding of hay.

The following tables summarize the proposed 2013 GARC values for the state of Washington.

**2013 WRP GEOGRAPHIC AREA RATE CAPS –
WASHINGTON STATE**

Geographic Area	Program	Market Analysis Fair Market Value \$/ac	GARC \$/ac	
West Area Counties	<i>WRP or GRP</i>			
			<i>Permanent Easements</i>	<i>30-yr easements, 30-yr tribal land use contracts and reserved grazing rights easements *</i>
Whatcom, Skagit, Snohomish, Island, Clallam, Jefferson, Grays Harbor, San Juan, Mason, Kitsap, King, Pierce, Thurston, Pacific, Lewis, Clark, Cowlitz, Wahkiakum, and Skamania			80% of Fair Market Value Not to Exceed \$5,000/ac	75% of the GARC for permanent easements
Irrigated/Subirrigated Cropland	<i>WRP</i>	\$10,868	\$5,000	\$3,750
Nonirrigated Cropland	<i>WRP</i>	\$2,938	\$2,350	\$1,763
Pastureland/Hayland	<i>WRP</i>	\$4,453	\$3,562	\$2,672
Forestland	<i>WRP</i>	\$2,299	\$1,839	\$1,379
Rangeland	<i>WRP</i>	\$2,567	\$2,054	\$1,540

Geographic Area	Program	Market Analysis Fair Market Value \$/ac	GARC \$/ac	
Central Area Counties	<i>WRP or GRP</i>			
			<i>Permanent Easements</i>	<i>30-yr easements, 30-yr tribal land use contracts and reserved grazing rights easements *</i>
Okanogan, Douglas, Chelan, Kittitas, Grant, Benton, Yakima, and Klickitat			80% of Fair Market Value Not to Exceed \$5,000/ac	75% of the GARC for permanent easements
Irrigated/Subirrigated Cropland	<i>WRP</i>	\$3,961	\$3,169	\$2,377
Nonirrigated Cropland	<i>WRP</i>	\$734	\$587	\$440
Pastureland/Hayland	<i>WRP</i>	\$1,481	\$1,185	\$889
Forestland	<i>WRP</i>	\$1,649	\$1,319	\$989
Rangeland	<i>WRP</i>	\$511	\$409	\$307

Washington NRCS WRP Geographic Area Rate Caps

Geographic Area	Program	Market Analysis <i>Fair Market Value \$/ac</i>	GARC \$/ac	
East Area Counties	<i>WRP or GRP</i>			
			<i>Permanent Easements</i>	<i>30-yr easements, 30-yr tribal land use contracts and reserved grazing rights easements*</i>
Ferry, Stevens, Pend Oreille, Lincoln, Spokane, Adams, Whitman, Garfield, Franklin, Walla Walla, Columbia, and Asotin			80% of Fair Market Value Not to Exceed \$5,000/ac	75% of the GARC for permanent easements
Irrigated/Subirrigated Cropland	<i>WRP</i>	\$4,497	\$3,598	\$2,698
Nonirrigated Cropland	<i>WRP</i>	\$1,062	\$850	\$637
Pastureland/Hayland	<i>WRP</i>	\$1,828	\$1,462	\$1,097
Forestland	<i>WRP</i>	\$2,070	\$1,656	\$1,242
Rangeland	<i>WRP</i>	\$359	\$287	\$215

* Reserved Grazing Rights easements will be compensated at 75% of the full GARC for permanent easements and 75% of the 30-yr easement or land use contract rate ($.75 \times .75 = .56$), which is 56% of the full GARC rate. This accounts for the additional retained grazing value to the landowner.