

Can the Land be Developed in the Future?

Once the development rights are sold, the property may not be developed for non-agricultural uses, unless otherwise specified in the purchase agreement, or unless the parcel being developed was originally excluded from the application for development rights purchase. This restriction remains in effect even if the property is sold or transferred. Section 36111b(6) of the Act provides a limited opportunity for a landowner to buy back the development rights if strict criteria are met. If the local unit of government, Natural Resources Commission and the Commission of Agriculture approve the sale of the development rights back to the landowner, the fair market value of the development rights at that time of repurchase must be repaid.

How Can I Receive an Application to be Considered for Development Rights Purchase?

You may receive an application or more detailed information by:

- calling the Farmland Preservation Office at 517-373-3328, or
- faxing your request to our office at 517-335-3131, or
- mailing a request to the address listed on the front of this brochure.

Information regarding the purchase of development rights program as well as other aspects of Farmland and Open Space Preservation may also be accessed on the Internet at "<http://www.dnr.state.mi.us>" under the heading Real Estate Division.

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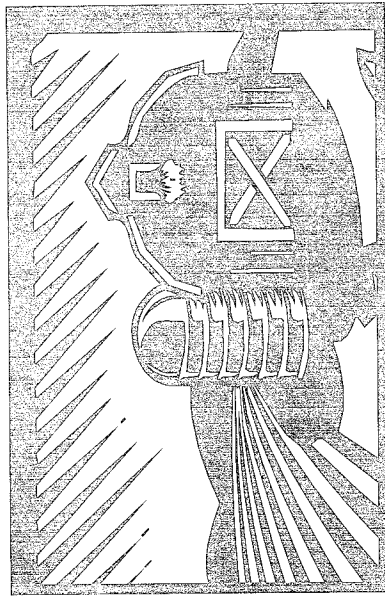


Why Should Farmland be Preserved in Michigan?

- Agriculture is the second largest industry in Michigan and contributes more than \$37 billion annually to the state's economy.
- The 46,500 farms in Michigan employ more than 100,000 workers and produce products worth over \$3.7 billion per year in annual gross farm sales.
- Because of unique micro-climates, Michigan is the second most diverse agricultural state in the nation, producing more than 100 different food and fiber products.
- Between 1982 and 1992 Michigan lost approximately 854,000 acres of farmland, or 85,000 acres per year. This would be comparable to losing the area of 3.75 Michigan townships per year.
- An increased number of households in Michigan and a desire to have larger lots in rural areas has accelerated the conversion of farmland to non-agricultural uses.
- It is projected that in 20 years farmland acres in Michigan will be reduced from the current level of 10.1 million acres to between 8.1 to 8.6 million acres.
- The world population is expected to double in 41 years. As the world population grows, the need for food and fiber products will increase the need for farmland.

Selling Your Development Rights

A Unique Way To Preserve



The Farmland and Open Space Preservation Program, more commonly known as PA 116 of 1974, authorizes the state to preserve farmland by purchasing the development rights of that land. This brochure describes how the Purchase of Development Rights (PDR) Program works and how to request an application to have your land considered for development rights purchase. The Act which authorizes the purchase of development rights is Part 361 of the Natural Resources and Environmental Protection Act, Public Act 451 of 1994 as amended. Copies of this Act are available upon request.

FARMLAND AND OPEN SPACE PRESERVATION
REAL ESTATE DIVISION
MICHIGAN DEPARTMENT OF NATURAL RESOURCES
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What is the State Purchase of Development Rights Program?

Section 3611b of the Act authorizes the State to protect valuable farmland from future development by purchasing development rights. If your property is selected, the State will pay you for that portion of the value of your property which represents the right to develop that property. After selling the development rights, the land is restricted to agricultural uses and cannot be developed in the future.

What are Development Rights?

Development rights represent the right of a land owner to develop property to the extent allowed under law. All parcels of property have a variety of rights associated with them. For example, the ownership of a parcel may include mineral rights, easements for utilities or access, or the right to develop the land. Rights such as mineral rights, easement and development rights may be conveyed or sold off to other parties. In the case of purchasing development rights, the State would be buying the right to develop the property to keep the land from being developed and to permanently preserve it for future agricultural use. The landowner would retain all other rights to the property. The land may be farmed, rented, sold or passed on to heirs and any agricultural buildings needed may still be built on the land. The State does not acquire your development rights in order to develop your land and does not open your land to public access for hunting, fishing or other uses.

Where Does the Money Come From to Buy the Development Rights?

The Purchase of Development Rights (PDR) Fund comes from the repayment of tax credits when Farmland Development Rights Agreements are terminated. As of 6/1/96 there was approximately \$12 million in the PDR Fund.

What are the Advantages to Landowners When They Sell Their Development Rights?

There are several advantages which occur when you sell your development rights.

- You will receive a cash payment for your development rights.
- You retain the ownership of the land and can continue to farm the land.
- Typically your property taxes and estate taxes will be reduced because the development rights, which add value to your assessment, are held by the public and can no longer be used.
- You are not granting public access to your property.
- Your farmland is preserved for future generations of farmers.

How are Lands Selected for Development Rights Purchase?

Interested landowners may apply to the Farmland Preservation Office to have their development rights purchased. Applications must also be approved by the local unit of government in order to be considered. The typical application deadline is April 1 of any given year. After April 1, the applications are reviewed by the Purchase of Development Rights Review Committee and screened and scored against selection criteria found in the law and developed by the Natural Resources Commission and the Commission of Agriculture. If the application meets the selection criteria and is approved by the Director of the Department of Natural Resources and the Director of the Michigan Department of Agriculture, a request will be made to the State Legislature to appropriate the money in the Purchase of Development Rights Fund to acquire the development rights. Once the money is appropriated an appraisal will be done.

What Farmland is Eligible?

Any farmland is eligible for consideration for development rights purchase, provided that at least 51% is devoted to an agricultural use. Section 3611b(3) of the Act establishes criteria to be used in the selection of property for purchase. The highest priority will be given to:

- Productive farmland that is considered to be prime or unique farmland.
- Farmland which is faced with development pressure that will permanently alter the productive capacity of the land.
- Farmland that would complement and is part of a documented, long-range effort or plan for preservation by a local government.
- Farmland that complements other preservation efforts by creating a block of farmland.
- Farmland that has matching funds from the local government, private organizations or other sources to assist in the development rights purchase.
- Farmland that is enrolled under the Farmland and Open Space Preservation Act.

How is the Value of the Development Rights Determined?

The Natural Resources Commission and the Commission of Agriculture are required, by the Act, to establish the price to be paid for the development rights. Typically, an independent certified appraiser is contracted by the Michigan Department of Natural Resources to complete an appraisal of the development rights. The development rights value is usually the difference between the fair market value and the agricultural value of the property. In determining the value of the development rights, the State may not reduce the value simply because the land is enrolled in a Farmland Development Rights Agreement (PA 116). Upon completion of the appraisal, the land owner will be contacted by the Real Estate Division with an offer for purchase of the development rights.