

Attachment 9 - Subject: LTP- WRP Easement Compensation Procedure

TO: OTAC

In the table below are Oregon's Fiscal Year 2012 Geographic Area Rate Caps (GARCs). The GARCS are used for easement compensation under NRCS WRP and WREP-RRPP easement sign-up. These rates are **pending review** by the Oregon Technical Advisory Committee (OTAC).

Oregon is transitioning the Geo Cap regions from the subjective Growing Regions map and Land Use Descriptions to the map based on Major Land Resource Areas (MLRA) with soils classifications and current land use developed primarily by Oregon soils scientists. Advantages to using the MLRA based map for regions include the following:

- The MLRA based land descriptions and the data derived from the NW Farm Credit Services Market Studies land type definitions are both based on the underlying productivity of the soils.
- Basing GARC value on inherent soils classifications and current land use will provide a technical clarity to the GARC determination process.
- Oregon has developed a GIS layer of the MLRA based Geo Cap Regions and corresponding GARCs to assist the designated conservationist with providing accurate and timely information to the client.

The Market Survey data is compiled by Northwest Farm Credit Services' (NWFCS) appraisers who specialize in agricultural and rural properties. Their appraisals are based on a current pool of all available market data on rural properties sales. The NWFCS synthesize the market survey data per land descriptions in each county for a high and low market value.

To arrive at the rate cap, an independent appraisal firm hired by NRCS analyzed the Warranty Easement Deed (WED) to determine the value of the bundle of rights that strip away the income producing rights of the land such as development, farming/tilling, and grazing. The soil productivity is inherently related to the relative value of the WED. The general rule is that soils with higher productivity have greater WED values as a percentage of the fee-value, so there is a sliding scale of WED discount rates from high productivity soils down to low productivity/brush lands.

Due to limitations of contracting rules such as the length of time for advertising, Oregon limited the Scope of Work to include the highest enrollment areas only. The two areas we contracted for Fiscal Year 2012 GARCs are Region B, the Willamette Valley Synthesis Area and Region D, the Southern Oregon North Eastern California (SONEC). The Region B and Region D have the highest enrollment rate historically, significant wetland restoration potential, partner contributions, and rank higher for potential benefits to migratory waterfowl.

The GARCs for Region B and D analysis is presented in the attached report performed by independent real estate appraisals and is based on data from the NW Farm Credit Services market analysis and extensive research into Warranty Easement values with market place participants.

The intent is to further the in depth market analysis to the remaining 6 regions for FY 2013 GARCs. In the interim, Oregon proposes to use Geo Cap Regions used in FY 2011 for easement compensations outside of the Region B and D areas. Based on the market studies performed by appraisers the market trend is steady and does not reflect the need for adjusting the GARC in the remaining Geo Cap Regions.

The GARC recommendation for the remaining regions is based on data from the USDA National Agricultural Statistics Service (NASS) Land Value, Cash Rents 2010 Summary (Aug 09) and a NW Farm Credit Services market analysis of fee simple valuations for nine regions in Oregon. All GARCs are less than the market analysis valuation.

WRP GARC Areas and Land Use Descriptions based on Land Capability Classes		GARC
B1: Floodplains and major tributaries of the Willamette River, terraces and floodplains along the Columbia River, and the Portland Metro Area.		
GARC 1	Nirr LCC's 1 and 2; cropland, hay or pasture	\$8,992
GARC 2	Nirr LCC's 3 and 4; cropland, hay or pasture; well to moderately-well drained soils not frequently flooded	\$5,161
GARC 3	Nirr LCC's 3 and 4; cropland, hay, or pasture; drained; somewhat poorly or poorly drained soils	\$2,786
GARC 4	Nirr LCC's 3 and 4; cropland, hay, or pasture; not drained; somewhat poorly or poorly drained soils	\$1,938
GARC 5	Nirr LCC's 5 and above; all land uses	\$1,032
B2: Terraces in the Willamette Valley.		
GARC 1	Nirr LCC's 1 and 2; cropland, hay or pasture	\$5,367
GARC 2	Nirr LCC's 3 and 4; cropland, hay or pasture; well to moderately-well drained soils	\$3,821
GARC 3	Nirr LCC's 3 and 4; cropland, hay, or pasture; drained; somewhat poorly or poorly drained soils	\$1,938
GARC 4	Nirr LCC's 3 and 4; cropland, hay, or pasture; not drained; somewhat poorly or poorly drained soils	\$1,091
GARC 5	Nirr LCC's 5 and above; all land uses	\$942
B3: Foothills of the Willamette Valley dominated by well drained soils under Douglas-fir and Oregon white oak. Typical land uses include timber, Christmas tree, and vineyard production including areas of cropland and pasture.		
GARC 1	Other Lands, Forestland	\$942
GARC 2	Other areas of Cropland and Pasture, Assign Values from B2	
D1: Floodplains and basins of the northern Klamath basin and pumice plateau		
GARC 1	Irrigated Hay or pasture	\$2,451
GARC 2	Non-Irrigated hay or pasture	\$1,526
GARC 3	All other lands, including range and forest	\$212
D2: Forestland on the east slope of the cascade mountains, rangeland south of the Sprague River Valley in southern Klamath County and the Oak-Savannah and orchards in Wasco and Hood River Counties.		
GARC 1	All lands including forestland, rangeland and Oak-Savannah	\$916
GARC 2	Land in orchards	\$8,533
D3: Floodplains and terraces of the southern Klamath Basin and Goose Lake Basin.		

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GARC 1	Irr LCC 4 and better: Irrigated Cropland, Hay or Pasture.	\$3,176
GARC 2	Irr LCC 5 and above: Irrigated Hay or Pasture	\$726
GARC 3	Non-Irrigated Cropland, Hay or Pasture	\$288
GARC 4	All other lands, including range and forest	\$224

OR Market Analysis:	Oregon GARC Region
The Dalles – Hood River Orchard July-11	D2
Western Oregon June-11	B1, B2, and B3
Deschutes Cook, and Jefferson Area	D1 and D3
Central and Southeastern Oregon July-11	D1 and D3

For areas not found on the above table use the table below:

Oregon Geo Cap Regions	Land Description	GARCs (\$/ac)
Coast	Primarily irrigated and non-irrigated land lying along the river bottoms & related tributaries. Includes hayland. Workable with machinery. Soils are mainly clay loams with some silt, class II & III & are used for hay & pasture production.	\$2,000
Willamette Valley	Cropland: Crop production is not limited by drainage, due to management practices or technical classification.	\$4,125
Willamette Valley	Cropland: Crop production is limited by drainage, rockiness and slope.	\$3,500
Willamette Valley	Pasture: Land use is currently livestock grazing.	\$1,500
Willamette Valley	Forestland including brush and small timber areas. . Normally located along stream beds or steep terrain. Some areas have limited pasture use, or may have some wood or forestland value.	\$1,200
Southern OR ¹	Improved pasture with project or private water rights. Potential hayland.	\$2,000
Southern OR ¹	Crop land, or capable of crop production, located in the general Klamath Falls area. Properties with "A" rights are in this classification.	\$2,800

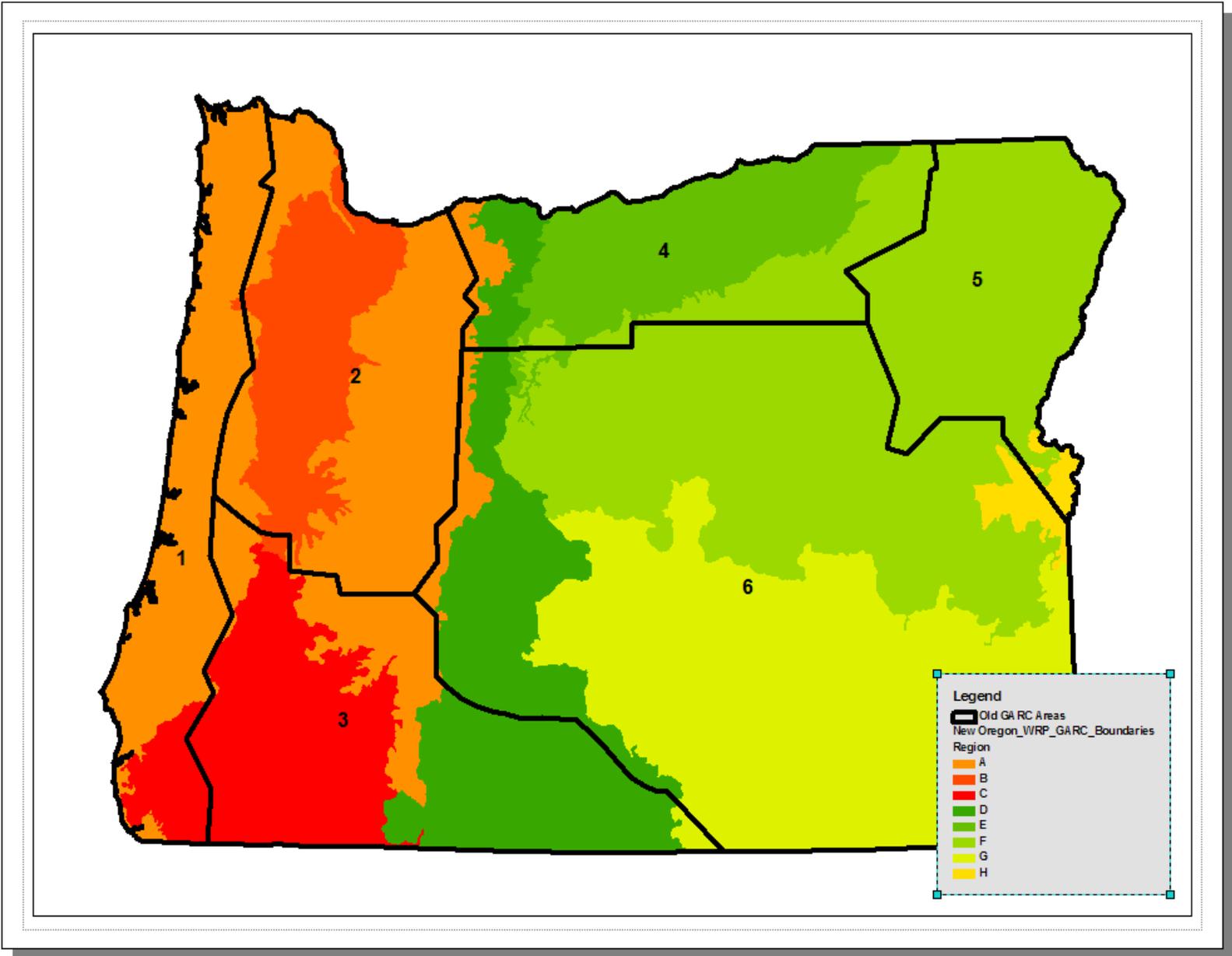
Southern OR ¹	Natural and improved pasture. Irrigated with water rights. Located in Klamath Marsh . Grazing land. Limited market information. "B" right properties are in this classification.	\$1,000
Southern OR ¹	Natural and improved meadow pasture; natural and sub-irrigated. Natural meadows along river bottoms primarily used for grazing with some hayland potential. No water rights.	\$550
Southern OR ¹	Dry native pasture. Usually with irrigated land. Larger properties towards lower end of the range. No timber value, but possible limited regrowth. These lands are generally adjacent to Project water. (Due to limited sales using Range Min Value).	\$300
Southern OR ¹	Native un-improved lands, generally part of larger ranching operations. Generally have water holes and/or piped water in order to utilize forage.	\$175
NE OR	Located in the high production areas of the Grande Ronde Valley. Similar to Irr Crop, but w/out water rights. Typically winter wheat and grass seed production. Good field pattern, topography, and deep soils.	\$2,000
NE OR	The higher production areas of Grand Ronde & Powder River Valleys. Good topog. & soil depth, mod. or better drainage due to management or classification. Grande Ronde - cropland with mint, sugar beets & potatoes in addition to wheat & grass seed. Powder River-cropland with wheat & hay. Highly productive meadows, typically devoted to hay, grain, or pasture.	\$2,000
NE OR	MEADOW: Irrigated pasture and hay land. IRR PASTURE: Irrigated pastures and pasture with sub-irrigation.	\$1,250
NE OR	Range land with sagebrush native vegetation. Production estimated to be 5 acres/AUM to 10 acres/AUM.	\$345
Columbia Basin	Typically 2-3 year cropping rotation. 12"-17" rainfall, undulating to rolling. Summer fallow rotation 60-80/BU, 3 yr 50/65/BU. TYM \$11.31	\$1,000
Cent. / SE OR ²	Dry pasture land which has been improved with management by seeding, etc. Found throughout Malheur, Lake, and Harney counties.	\$400
Cent. / SE OR ²	Crop land with a water right, land capable of producing crops. Hay land or cropland, used for grain production. Associated with desert ranches located farther away from population centers in Malheur and Harney and Lake Counties.	\$1,000
Cent. / SE OR ²	MEADOW: Irrigated pastures and hayland. IRR PASTURE: Irrigated pastures and pasture with sub-irrigation.	\$1,250
Cent. / SE OR ²	Range land with sagebrush native vegetation. Production estimated to be 5 acres/AUM to 10 acres/AUM.	\$345

1. / In Klamath County this land type is typically located in the Wood River Valley.

2. / In Klamath County this land type is typically located in Poe Valley, Langell Valley and the Sprague River Valley.

Oregon Geographic Area Rate Cap Regions	
Region	Counties Affected
Coast	Clatsop, Lincoln, Tillamook, Coos & Curry, & west of the Coast Range crest in Lane & Douglas
Willamette Valley	Columbia, Washington, Multnomah, Yamhill, Clackamas, Polk, Marion, Benton, Linn, & east of the Coast Range crest in Lane
Southern Oregon	Josephine, Jackson, east of the Coast Range crest in Douglas, S half of Klamath, & the SW portion of Lake
Columbia Basin	Hood River, Wasco, Sherman, Gilliam, Morrow, Umatilla
Northeastern Oregon	Union, Wallowa, Baker, NE portion of Malheur, & NE portion of Grant
Central/Southeast Oregon	Southern half of Malheur; SE portion of Grant; Wheeler, Deschutes; Jefferson, Crook, Harney, N half of Klamath, SE portion of Lake

OR Market Analysis:	Oregon GARC Region
Market Study for Southwest Oregon (#6) June-11	Southern Oregon and Coast
Western Oregon Market Study (#01) June-11	Willamette Valley
Klamath Falls Area Market Study July-11,	Southern Oregon
North Central Oregon Market Study July-10	Columbia Basin
Central and Eastern Oregon Ranch Market Study July-11, Redmond July 11, Malheur June-11	Central/Southeast Oregon
Central and Eastern Oregon Ranch Market Study July-11, Malheur June-11	Northeastern Oregon
The Dalles – Hood River Orchard Market Study July -11	Columbia Basin
Baker City Service Center Lands Market Study July 11	Northeastern Oregon



The GARCs are adjusted to be lower than the information provided in the fee simple valuations in the Market Analysis supplied by Northwest Farm Credit Services dated June and July 2011, which is the most recent data available at the time. The NW Farm Credit Services analyze data and develop current market studies of agricultural land in Oregon counties. These studies provide the basis for the GARCs. Values were selected for the respective land descriptions in the counties where easements are most commonly active, with the eligible land uses and soils.

Sincerely,

LOREN UNRUH
Programs Leader
NRCS Oregon State