

Exploring Conservation Easements and Assessments

Property Tax Unit

October 16, 2024

Purpose

We will discuss the Virginia Tax Land Preservation Tax Credit (LPTC) program, conservation easements, and their impact on property values and assessments.



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1. LPTC Incentives

Virginia

One of 14 U.S. states and 1 territory (Puerto Rico) that offers tax credit incentives in exchange for perpetual land conveyance to public and private nonprofit organizations.

Virginia exceeded 1 million acres gifted in 2023.



- ▶ An interest in real estate restricting future land use to preservation, conservation, environmental use, wildlife habitat, or some combination of these uses.
- ▶ A mixture of easements, agreements, covenants, or other contractual interests.
- ▶ A nonpossessory interest of a holder in real property imposing limitations on the use of the land.
- ▶ The legal agreement is between the landowner and a qualified charitable organization that restricts future activities of the land and protects the conservation values.

Land Preservation Tax Credit (LPTC)*

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For land located in Virginia, this is an income tax credit for 40% of the value of any land or interest that is conveyed in perpetuity for conservation purposes.

- ▶ Each calendar year, up to \$75 million credits may be issued.
- ▶ The credit is transferable for 10 years.
- ▶ 90% of the land conservation in Virginia in the last decade was through the LPC.



* Also known as LPCs

Tax credit for those who qualify with approved land uses:

1. Agricultural use
2. Forest use Winchester metropolitan area
3. Natural resource and biodiversity conservation
4. Historic preservation
5. Natural resource based outdoor recreation and education
6. Watershed prevention
7. Preservation of scenic open space
8. Conservation and open space designated by local governments

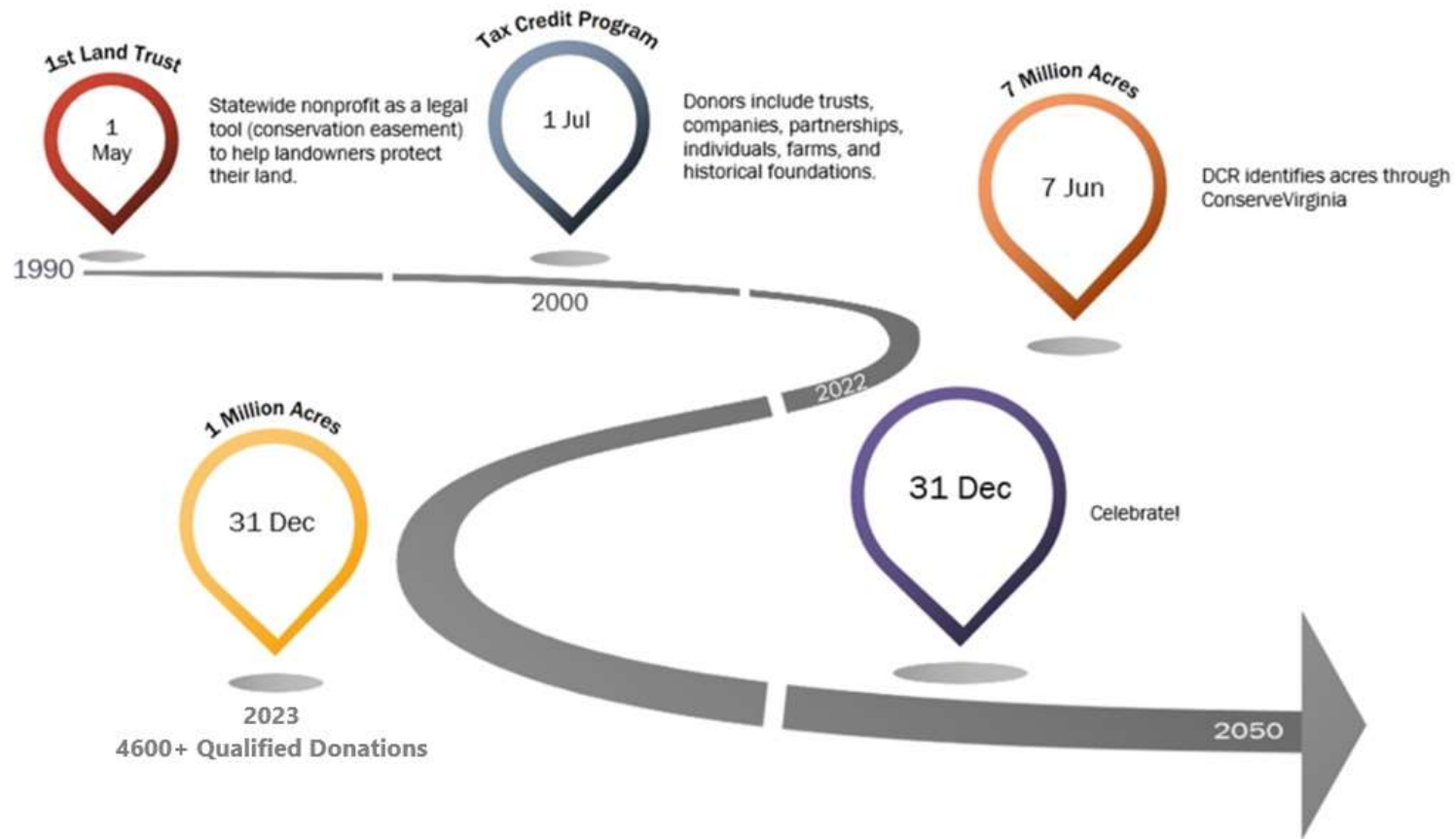
<https://www.tax.virginia.gov/land-preservation-tax-credit>

Organizations Involved in Land Conservation Tax Credit Applications



2. History of LPTCs in Virginia

Timeline of Conservation Easements (Past and Potential Future)



Donations History Data

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<u>Tax Year</u>	<u># of Credits</u>	<u># of Acres</u>	<u>Credit Amt Issued</u>
2000-2014	3,331	727,192	\$1,443,748,241
2015	182	42,362	\$48,625,672
2016	162	30,981	\$59,968,175
2017	200	49,127	\$75,000,000
2018	165	35,384	\$50,533,208
2019	193	34,677	\$75,000,000
2020	156	37,975	\$75,000,000
2021	183	41,859	\$75,000,000
2022	160	31,365	\$75,000,000
2023	168	37,482	\$75,000,000
2024	63	14,258	\$18,482,612 *
Grand Total	4,963	1,082,662	\$2,071,357,908

* Through August 15 , 2024

Sometimes we see this...



... and the donor sees this



Standards Rule 1-3(b): When necessary for credible assignment results in developing market opinion, an appraiser must develop an opinion of highest and best use.

... or we see this...



... and the donor presents this



A baseline documentation report (BDR) is required in addition to the appraisal for each application, regardless of values over \$5,000.

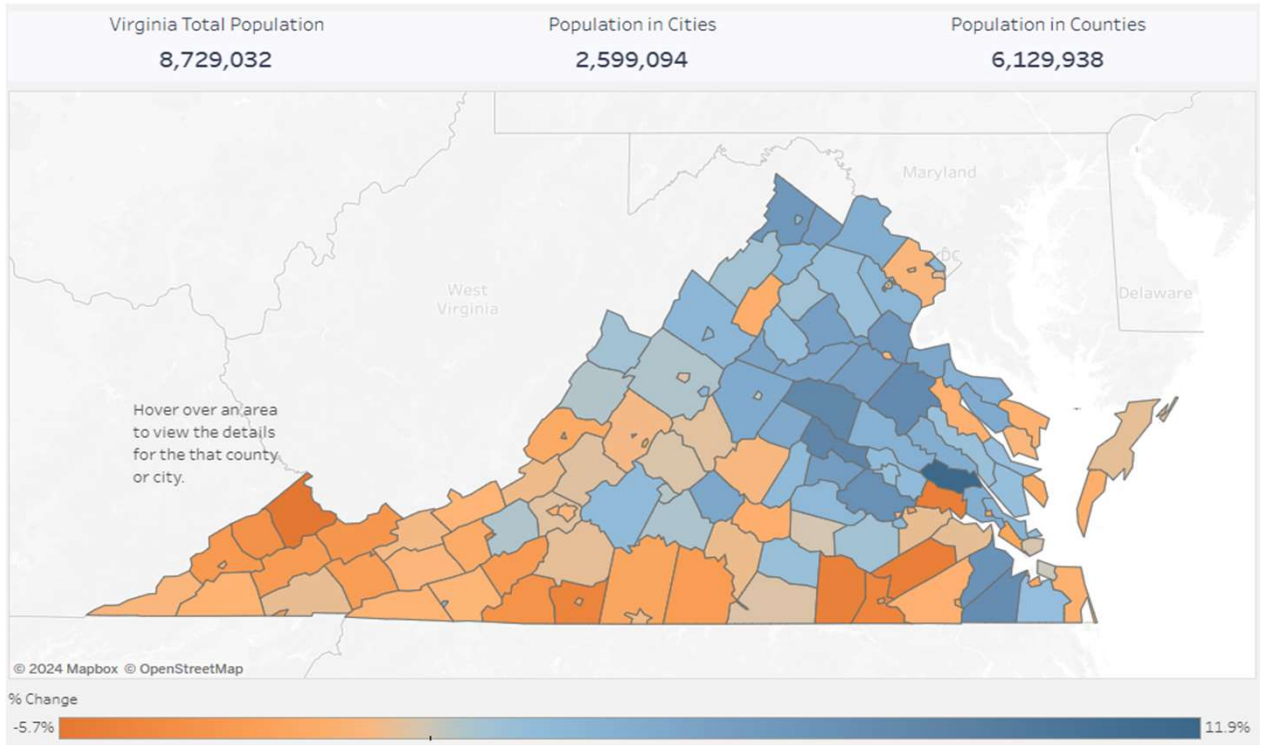
§ 58.1-512. Land preservation tax credits...

- ▶ Audit any credit claimed during the statutory time limits.
- ▶ Disregard appraisals found to be fraudulent.
- ▶ Refer appraisers to the Virginia Real Estate Board for disciplinary action.
- ▶ Disallow appraisals signed by appraisers who have falsely or fraudulently overstated the value of the contributed property.



3. Impacts on real property assessments

Population Estimates for Counties & Cities in Virginia

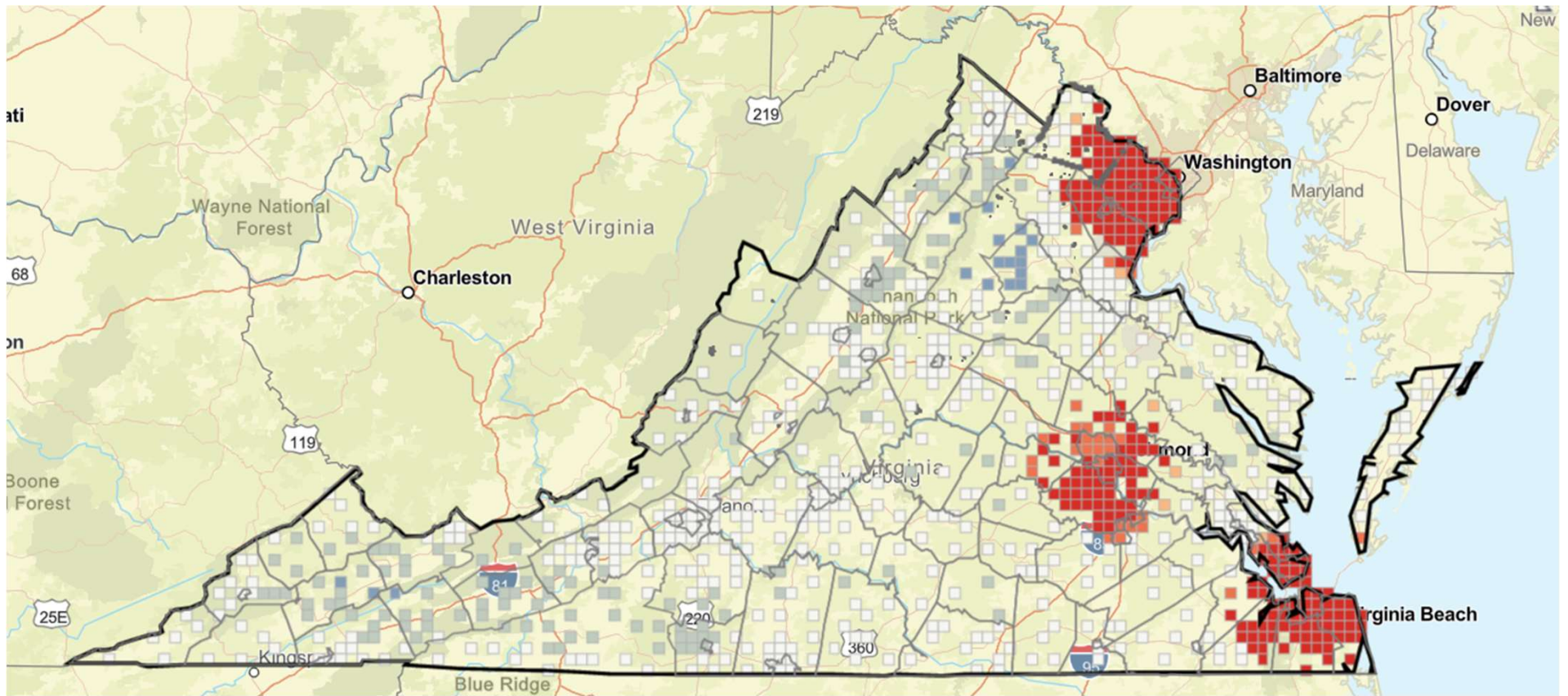


The Weldon Cooper Center Demographics Research Group used the 2020 Decennial Census data to evaluate past projections and adjusted modelling techniques to minimize the potential accuracy issues of the new Census data.

Source: University of Virginia: Weldon Cooper Center for Public Service 2024

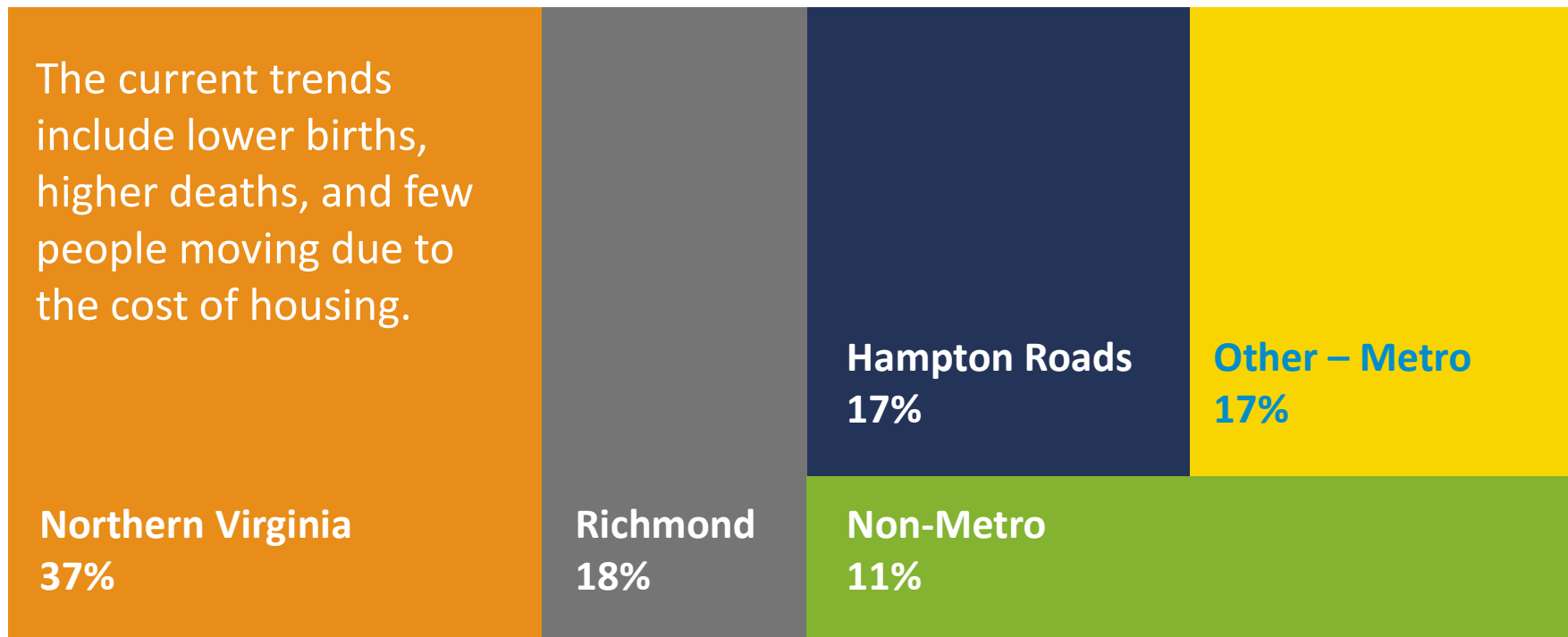


Virginia Population and Conservation



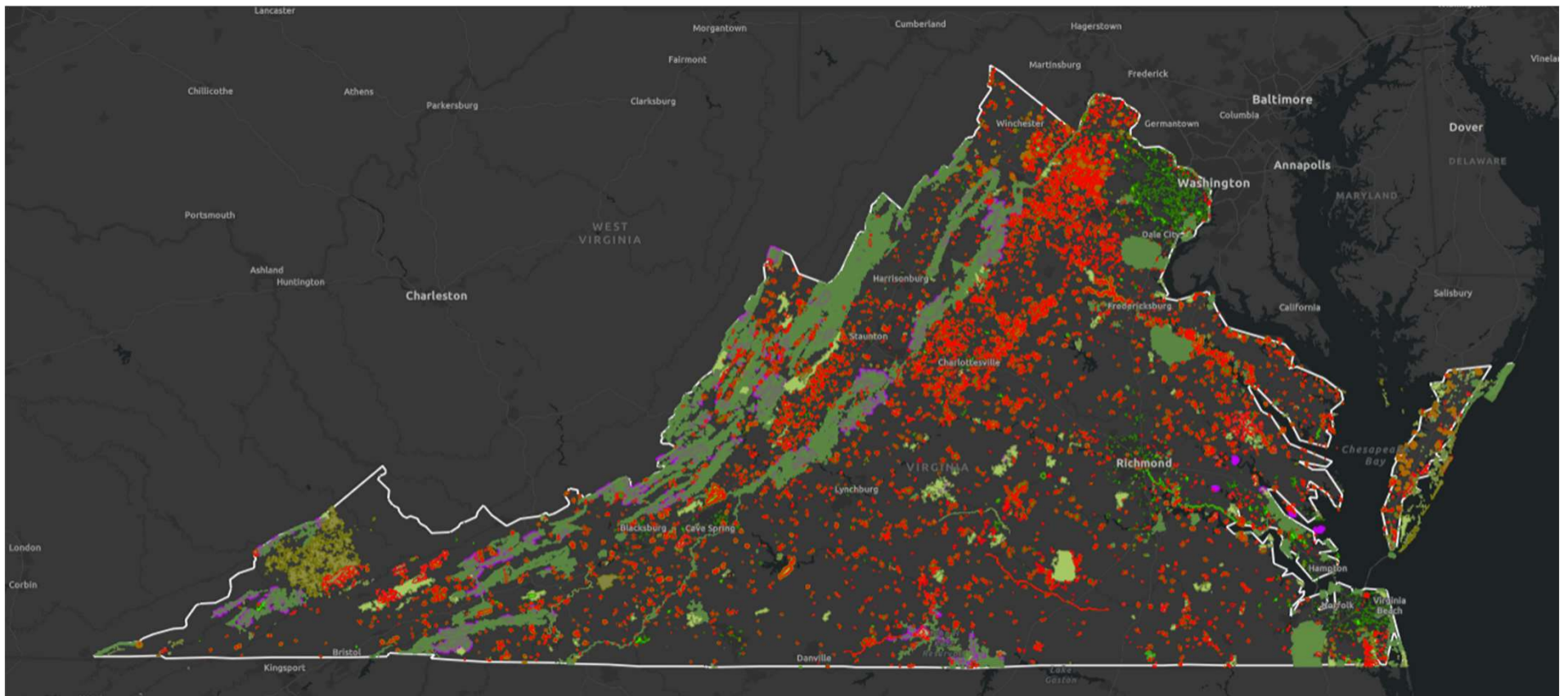
Source: American Community Survey (ACS) population within Virginia. (2022).

2030 Population in Metro vs. Non-Metro Areas



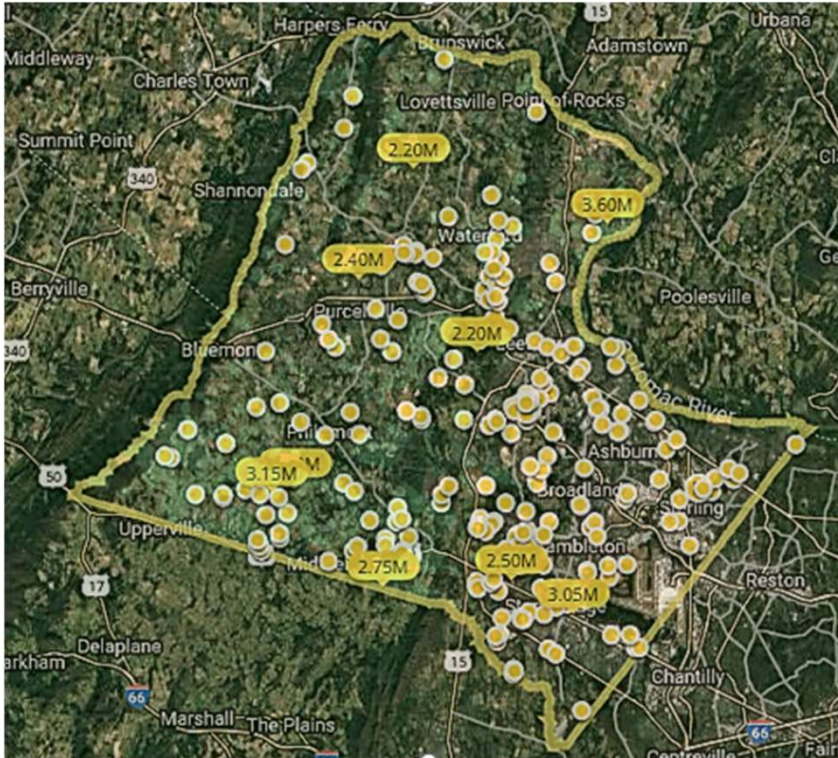
Source: University of Virginia: Weldon Cooper Center for Public Service 2024

Conservation Easements in Virginia



Source: Virginia Tax, DCR, DOF, VOF, and The Nature Conservancy (TNC)

Effects of Conservation Zoning



Located in northern Virginia near Washington, D.C., Loudoun County ranked No. 12 in U.S. News' 2022 Healthiest Communities, and No. 10 among urban communities with high-performing economies.

- ▶ Over 75,000 acres of conservation land are protected; the majority are located in Western Loudoun County.
- ▶ \$3 Million: Average sales, an increase of 100% in 24 months.

Source: Loudoun County, Bright MLS.

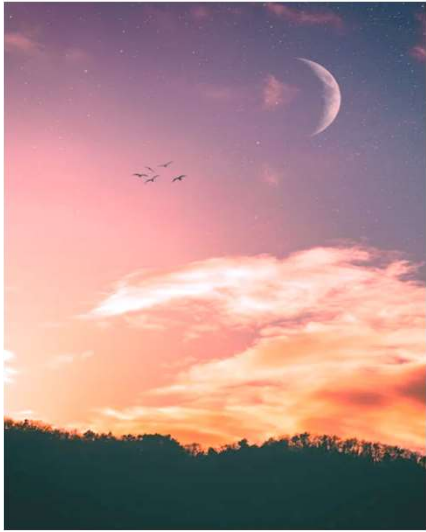
Green Spaces and Their Influence on Property Values

Type of Open Space	Potential Increase in Property Value
Parks	Homes next to a park can see a 20% increase in value on average.
Greenbelts	Homes next to a long greenbelt area can see a 32% increase in value on average.
Small green spaces	Even a small green space with mature trees can increase a home's value by 2- 17%.

These factors can contribute to a healthier and more pleasant living environment.



Source: National Institute of Health (NIH). 2022.



**“Land is the only
thing that can’t fly
away.”**

Anthony Trollope

Land Preservation Tax Credit Unit
P.O. Box 565
Richmond, Virginia 23218

- ▶ Steve Klos, Property Tax Unit Director
- ▶ Richard Tyree, Credit Unit Supervisor
- ▶ Diane Johnson, Policy Planning Specialist
- ▶ Lore DeAstra, Land Conservation Tax Credit Analyst

Thank You!



Lore DeAstra, MBA, SR/WA

Land Preservation Tax Credit Analyst

Lore.DeAstra@tax.virginia.gov