

Status Quo vs Conservation Easement
A Tax Analysis of the Hancock Forest Lands



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**CRANBERRY LAKE
TREE FARM**

NORTH SALE BLOCK

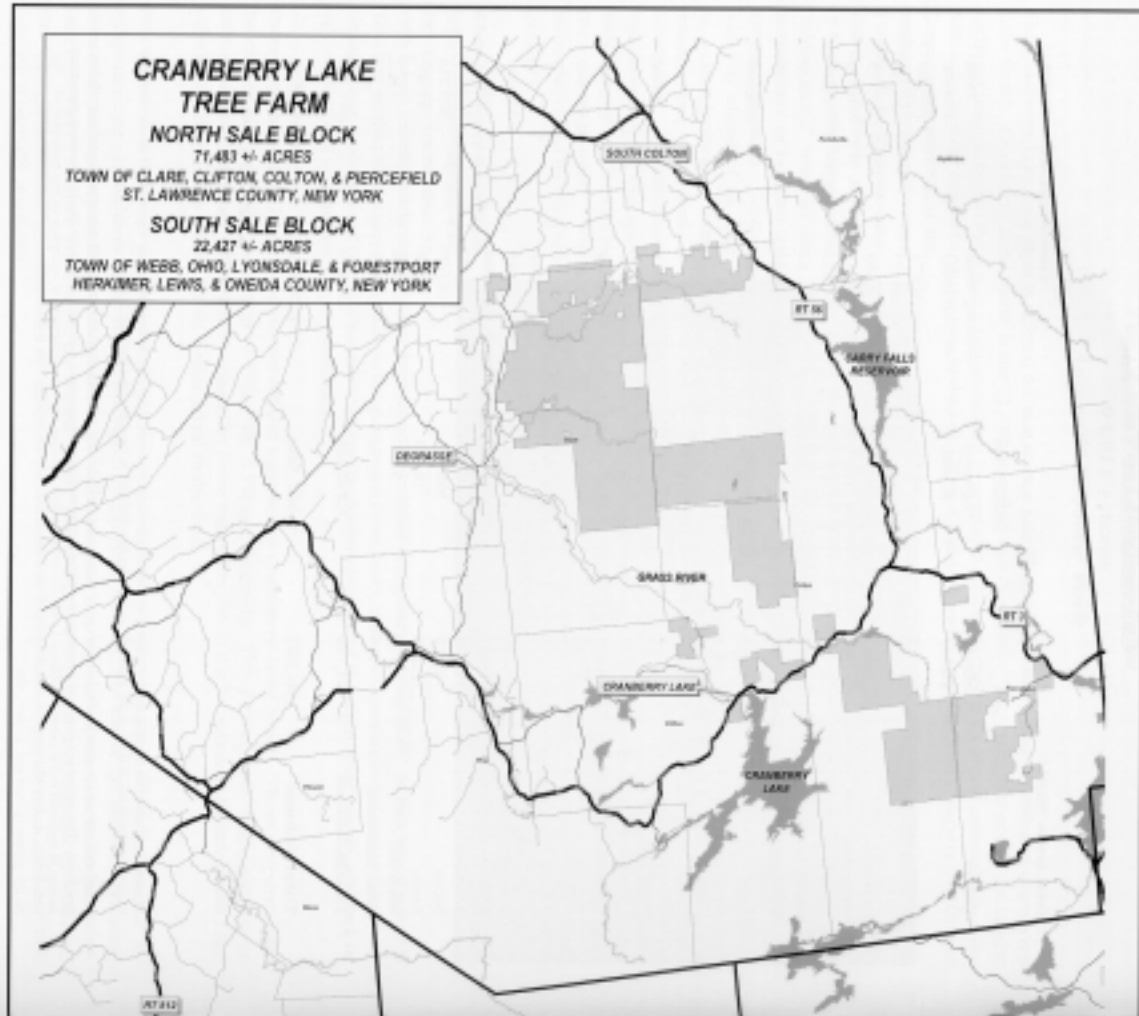
71,483 +/- ACRES

TOWN OF CLARE, CLIFTON, COLTON, & PIERCEFIELD
ST. LAWRENCE COUNTY, NEW YORK

SOUTH SALE BLOCK

22,427 +/- ACRES

TOWN OF WEBB, OHIO, LYONSDALE, & FORESTPORT
HERKIMER, LEWIS, & ONEIDA COUNTY, NEW YORK



Overview

In March of 2003, Hancock Timber Resource Group announced its intention to sell 93,000 acres of timberland located in St. Lawrence, Lewis, Herkimer and Oneida counties. Hancock received bids on the property until May 21. Although New York State failed to bid on the property, the opportunity for State involvement still exists. Whether Hancock retains the property or accepts a bid from a future owner, New York State may be in the position to purchase the development rights on over 52,000 acres of land.

The opportunity may also exist for the State of New York to purchase a 1/2 mile corridor along two branches of the Grasse River. These Northern Flow River Corridors are listed on the priority project list of the New York State Open Space Plan. Both branches of the Grasse are classified as scenic rivers in the New York State Wild, Scenic and Recreational rivers system.

Of the 93,000 acres listed by Hancock there is a 52,000 acre block that is not currently under a New York State easement. On this 52,000 acre block, on which we recommend the state purchase an easement, more than half of the assessed value is exempt from local property taxation under section 480 of the Real Property Tax Law. The 480 program provides a tax abatement for property owners, which essentially freezes the assessment of the enrolled property. If the State purchased easement rights on the 52,000 acre block the State's portion of the property would be taxed on its full value. Our assumption in this study is that, if an easement is purchased it will significantly benefit the towns affected.

In the Adirondacks, when New York State purchases easement rights from a landowner, the landowner retains the property, but the State pays a percentage of the taxes. New York State has several options in negotiating a conservation easement with them. The State can purchase the development rights from the owner and pay taxes on generally 50% of the property value. The State can also purchase the mining rights and/or public access rights on the property and in this case pay a higher percentage of the value.

The purpose of this study is to project the tax implications if New York State purchased a conservation easement from Hancock or a future owner. This study illustrates how the towns of Clare, Clifton and Colton will benefit if New York State purchases a conservation easement. The calculations in the tables that follow show what each town currently receives in taxes as well as what they would receive if the state purchased an easement.

Methodology

- This study contains four tables that display tax information and explain how the specific calculations were compiled.
- All current statistical information gathered to prepare the easement calculations including current assessed value, taxable value, tax rates and acreage, were provided by the St. Lawrence County Real Property Planning Division and the Town offices of Clare, Colton, and Clifton.

Assumptions

For the purposes of this study two easement percentages were selected. A 50% easement, as a general rule of thumb, represents the development rights on property in the Adirondacks. The second is a 72% easement that represents the value of easements already held by New York State on neighboring Hancock Lands. We assume that a State purchased development easement would be at least 50% and as high as 72% if other rights, such as public recreation were part of the easement agreement.

Calculations: Outlined below is the method we used to calculate taxable values and total taxes with an easement in place.

Easement Calculations- We calculated the taxable value on an easement by taking the easement percentage and multiplying that number by the assessed value. We then multiplied the remaining percentage by the current taxable value and added that figure to the first calculation.

Example- Town of Clare Taxable Value with a 50% easement
 $50\% \text{ easement}(.5) \times \text{Assessed Value}(\$484,729) + 50\% \text{ remaining}(.5) \times \text{taxable value after exemption}(\$427,008) = \$455,868.50$

Tax Calculations- We calculated the total taxes and school taxes by multiplying the tax rate by the taxable value and then divided that number by 1,000.

Example- Town of Clare Total Taxes on 50% easement
 $\text{Tax Rate}(410.01) \times \text{Taxable Value}(\$455,868.50) / 1,000 = \$186,906.08$

Table Number

Description

- | | |
|----|----------------------------------|
| 1. | Tax Analysis for Town of Clare |
| 2. | Tax Analysis for Town of Colton |
| 3. | Tax Analysis for Town of Clifton |
| 4. | Tax Analysis for Towns Combined |

Town of Clare: Tax Analysis

Table 1

The table below shows the current values of lands within the Town of Clare, as part of the Hancock Lands, with the existing forestry tax abatement, but without a conservation easement in place. The table also shows the tax implications if the New York State purchased a 50% easement or up to a 72% easement on the 30,667 acres of land that lie within the Town of Clare.

	Assessed Value	Taxable Value	Total Taxes	School Taxes
Clare				
Current Value	\$484,729.00	\$427,008.00	\$175,115.98	\$78,953.78
With 50% Easement Purchased		\$455,868.50	\$186,906	\$84,290.00
Net Gain (above current value)		\$28,860(+6.75%)	\$11,790(+6.75%)	\$5,336(+6.75%)
With 72% Easement Purchased		\$468,567.12	\$192,159.37	\$86,638.06
Net Gain (above current value)		\$41,559(+9.73%)	\$17,043(+9.73%)	\$7,684(+9.73%)

Tax Calculations- We calculated the total taxes and school taxes by multiplying the tax rate by the taxable value and then divided that number by 1,000.

Tax Rates (dollars per \$1,000 taxable value)

County-	29.09
Town-	191.61
Fire-	4.50
School-	<u>184.90</u>
	410.01

Findings:

If New York State purchases a 50% conservation easement the Town of Clare stands to gain nearly \$30,000 in taxable value. Also in Clare, total property tax revenues (town, county, school and fire) would increase by \$11,790 (6.75%) if the State bought a 50% easement or by \$17,043 (9.73%) if the State bought a 72% easement.

Town of Clifton: Tax Analysis

Table 2

The table below shows the current values for lands within the Town of Clifton, which are part of the Hancock Lands, with existing forestry tax abatement, but without a conservation easement in place. The table also shows the tax implications if the New York State purchased a 50% easement or up to a 72% easement on the 8,760 acres that lie within the Town of Clifton.

	Assessed Value	Taxable Value	Total Taxes	School Taxes
Clifton				
Current Value	\$2,045,708.00	\$854,713.00	\$31,624.38	\$17,649.82
With 50% Easement Purchased		\$1,450,210.50	\$53,657.79	\$29,946.85
Net Gain (above current value)		\$595,497(+70%)	\$22,033(+70%)	\$12,297(+70%)
With 72% Easement Purchased		\$1,712,229.40	\$63,352.49	\$35,357.54
Net Gain (above current value)		\$857,516(+100%)	\$31,728(+100%)	\$17,708(+100%)

Tax Calculations- We calculated the total taxes and school taxes by multiplying the tax rate by the taxable value and then divide that number by 1,000.

Tax Rates(dollars per \$1,000 taxable value)

County-	1.88
Town-	12.53
Fire-	1.94
School-	<u>20.65</u>
	37.00

Findings:

Currently there are two parcels of Hancock lands in the Town of Clifton on which New York State currently owns an easement. If the remaining 8,500 acres without an easement were subject to a similar conservation easement, valued at 72%, the Town of Clifton would increase their taxable value, total tax revenue and school tax revenue by 100%. In Clifton, total property tax revenues would increase by \$53,657 (70%) if the State bought a 50% easement and increase by \$63,352 (100%) with a 72% easement.

Town of Colton: Tax Analysis

Table 3

The table below shows the current values for lands within the Town of Colton, as part of the Hancock Lands, with the existing forestry tax abatement, but without a conservation easement in place. The table also shows the tax implications if the New York State purchased a 50% easement or up to a 72% easement on the 13,628 acres that lie within the Town of Colton.

	Assessed Value	Taxable Value	Total Taxes	School Taxes
Colton				
Current Value	\$535,230.00	\$103,733.00	\$45,307.46	\$24,576.42
With 50% Easement Purchased		\$319,481.50	\$139,539.93	\$75,691.56
Net Gain (above current value)		\$215,748(+208%)	\$94,232(+208%)	\$51,115(+208%)
With 72% Easement Purchased		\$414,410.84	\$181,002.22	\$98,182.22
Net Gain (above current value)		\$310,677(+299%)	\$135,695(+299%)	\$73,606(+299%)

Tax Calculations- We calculated the total taxes and school taxes by multiplying the tax rate by the taxable value and then divided that number by 1,000.

Tax Rates(dollars per \$1,000 taxable value)

County-	26.09
Town-	169.58
Fire-	4.18
School-	<u>236.92</u>
	436.77

Findings:

The Hancock holding in the Town of Colton includes roughly 25,000 acres. The Town of Colton currently has 12,000 acres protected by a conservation easement valued at 72%. As the table shows Colton receives a net gain of 299% with a 72% easement purchased and a 208% net gain with a 50% easement. The Town of Colton stands to gain \$50,000 in school taxes with a 50% easement purchased by the state and nearly \$75,000 in school taxes with a 72% easement annually. Also in Colton tax revenues would increase by \$139,539 (208%) with a 50% easement and by \$181,022 (299%) with a 72% easement.

Clare, Clifton and Colton Combined: Tax Analysis

Table 4

This table shows the current values for lands within the Towns of Clare, Clifton and Colton combined, which are part of the Hancock Lands, but do not have a conservation easement. Also it shows the tax implications if the New York State purchased a 50% easement or a 72% easement on the roughly 52,000 acres that lie within Clare, Clifton and Colton.

	Assessed Value	Taxable Value	Total Taxes	School Taxes
Towns Combined				
Current Value	\$3,065,667.00	\$1,385,454.00	\$252,047.82	\$121,180.02
With 50% Easement Purchased		\$2,225,560.50	\$380,103.80	\$189,928.40
Net Gain (above current value)		\$840,106(+60%)	\$128,056(+60%)	\$68,748(+60%)
With 72% Easement Purchased		\$2,595,207.36	\$436,514.08	\$220,177.81
Net Gain (above current value)		\$1,209,753(+87%)	\$184,467(+87%)	\$98,997(+87%)

*Calculations for the towns combined were compiled by adding together the figures from the three towns.

Example- Taxable Value for Clare, Clifton and Colton combined w/50% easement

Clare Taxable Value-	\$455,868.50	
Clifton Taxable Value-	\$1,450,210.50	
Colton Taxable Value-	+ \$319,481.50	
	\$2,225,560.50	

Findings:

If New York State purchased a 50% easement on the 52,000 acres of land within Clare, Colton, and Clifton, which are not yet protected with an easement, the three towns combined would gain nearly an extra \$1 million dollars in taxable value. Also the net gain above the current value for town and school taxes would be 60%.

Grasse River Corridor

Another opportunity for New York State would be to purchase a 1/2 mile corridor, approximately 5,000 acres, along the Grasse River and designate this land as Forest Preserve. Both the North Branch and the Middle Branch of the Grasse are located within the Towns of Colton and Clare and flow in a northwesterly direction to the Adirondack Park Boundary. The purchase of a 1/2 mile along both branches would help protect the natural beauty of this river and preserve its wild character from unwanted development. In addition, this purchase would open up the Grasse to the public for fishing and paddling for the first time in more than 120 years. The Grasse River Corridor is located within the 52,000 acres, without an easement, which are part of the Hancock Lands. The purchase of the 5,000 acres around the river corridor would increase the taxable value even more than an easement acquisition.

Conclusion

There are many benefits that can be derived from New York State purchasing a conservation easement on the lands offered by Hancock Timber Resource Group. The State's involvement provides protection of the land from overdevelopment and guarantees its open space character for forestry and recreation. If only the development rights were purchased by the State, the towns of Clare, Colton and Clifton stand to gain an increase of nearly \$1 million dollars in taxable value. An increase in taxable value also leads to an increase in local school taxes.

Without an easement, the town can only collect taxes on the taxable value, which on the Hancock property, is generally half of the assessed value due to Hancock's participation in the 480 timber tax abatement program. The existence of a State held easement on the Hancock lands would lead to an increase in taxable value for all town's involved. An increase in taxable value gives the town the ability to take this increase and use it as sees fit. The town can either keep tax rates as they are and thus receive an increase in tax revenue coming into the town or they can lower existing tax rates for local property owners.

New York State has the opportunity to, not only preserve a natural beauty in the Adirondacks for all New Yorkers, but also to increase the tax base for the towns affected. Regardless of what type of easement is purchased by the State, the towns involved stand to see an increase in the taxable value of their lands.

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