



2013 Special Valuation of Agricultural Land Measurement Methodology

Purpose

The policy of special valuation was developed following the Constitutional amendment which recognized that the conversion of agricultural land to other uses demanded action for two purposes: one, the systematic and planned growth and development near and around urban areas; and two, to provide a tax incentive to keep agricultural uses in place until the governing body was ready for the growth and development of the land.

Special value is both a land management tool and a tax incentive for compliance with the governing body's land management needs. As alternative, more intensive land uses put pressure for the conversion of underdeveloped land, economic pressures for higher and more intensive uses from non-agricultural development provide economic incentives to landowners to sell or convert their land. Governments, in order to provide for the orderly and efficient expansion of their duties, may place restrictions on landowners who convert land from one land use to a higher more intensive land use. Additionally, the existing landowners who may wish to continue their agricultural operations have an incentive to continue those practices until the governing body is ready for the conversion of their property to a more intensive use.

Without special valuation, existing agricultural landowners in these higher intensive use areas would be forced to convert their land for tax purposes, as the market value of the land could be far greater than its value for agricultural purposes and uses. The history of special valuation would indicate that the other purposes and uses are those not normally or readily known within the agricultural sector and are more intensive, such as residential, recreational, commercial or industrial development.

Types of Special Value

There are two scenarios that exist when special valuation is implemented in a county:

One, special valuation is applicable in a defined area of the county or only for certain types of land in the county. In these situations the county and Division have found that use of the land for non-agricultural purposes and uses influences the actual value of some of the agricultural land in the county. In these situations, the Division will measure the level of value of agricultural land and special value. If the methodology of the county assessor states that the county assessor used sales of similar land that are not influenced by the non-agricultural purposes and uses of the land

and the Division confirms, then the sales of uninfluenced land are used to determine the special valuation of the influenced land. The sales of agricultural land that are not influenced by the non-agricultural purposes and uses are used to measure the level of value of uninfluenced agricultural land.

Two, special valuation is applicable in the entire county. In this situation the county has found that the actual value of land for other purposes and uses other than agricultural purposes and uses influences the actual value of all of the agricultural land in the county. Upon the confirmation of the county's determination, the Division will measure the special value level of value.

Measurement of Special Valuation

The Division has two approaches in measuring the level of value of special valuation. In a county where special valuation is applicable in only a portion of a county, the Division will determine if the land subject to special value is similar to agricultural land not subject to special value. In areas where the two areas are similar, the level of value for the uninfluenced area is considered to represent the special value as well. If the land in the special value area is dissimilar to other agricultural land in the county so there is no comparability of areas, the Division will analyze the valuations applicable for special value to determine if they correlate with the valuations in other parts of the county or other counties, even though direct comparability may not exist.

In a county where special valuation is applicable throughout the entire county, the Division utilizes a sales-based measurement approach to project an uninfluenced agricultural land value. The sales from comparable counties where agricultural land sells without regard to alternative uses act as "surrogate" sales. A measurement of the assessed values developed by the influenced subject county against the sale prices of the "surrogate" sales provides an indication of the level of value for the influenced subject county. This method produces an equalized relationship of assessed values in agricultural areas and ensures that common uninfluenced agricultural land markets are recognized in special value assessments.

Study of Non-Agricultural Influence

To establish valid areas of the agricultural land market, the Division attempts to identify the outer boundaries of nonagricultural influences stemming from the metropolitan areas. Analysis of changes in sales prices in relation urban proximity measures the degree of influence for land with similar agricultural features.

Given the recent economic trends, the record increases to agricultural land values and a relatively flat residential and commercial market has resulted in agricultural land values surpassing the value for alternative uses in many areas. In effect, agricultural use has become the highest and best use of land historically influenced by development and other non-agricultural activities. In the state of Nebraska, counties such as Gage, Otoe, and Scottsbluff have been eliminated from the category of "fully influenced" in recent years, and their annual methodology confirms the same status today.

For 2012, all agricultural land with Cass, Douglas, Lancaster, Saunders, Sarpy, and Washington was determined to be fully influenced by nonagricultural factors. Analysis for 2013 indicates the nonagricultural influence has diminished to the point where land in the outer boundaries of Cass, Saunders, and Washington counties generally has a highest and best use as agricultural land. Analysis of sale prices in these counties demonstrates that not only do the sale prices diminish as the land increased in distance from the urban centers, but the sale prices become comparable to those in the uninfluenced neighboring counties with similar land features.

The results of county-specific market analyses are as follows:

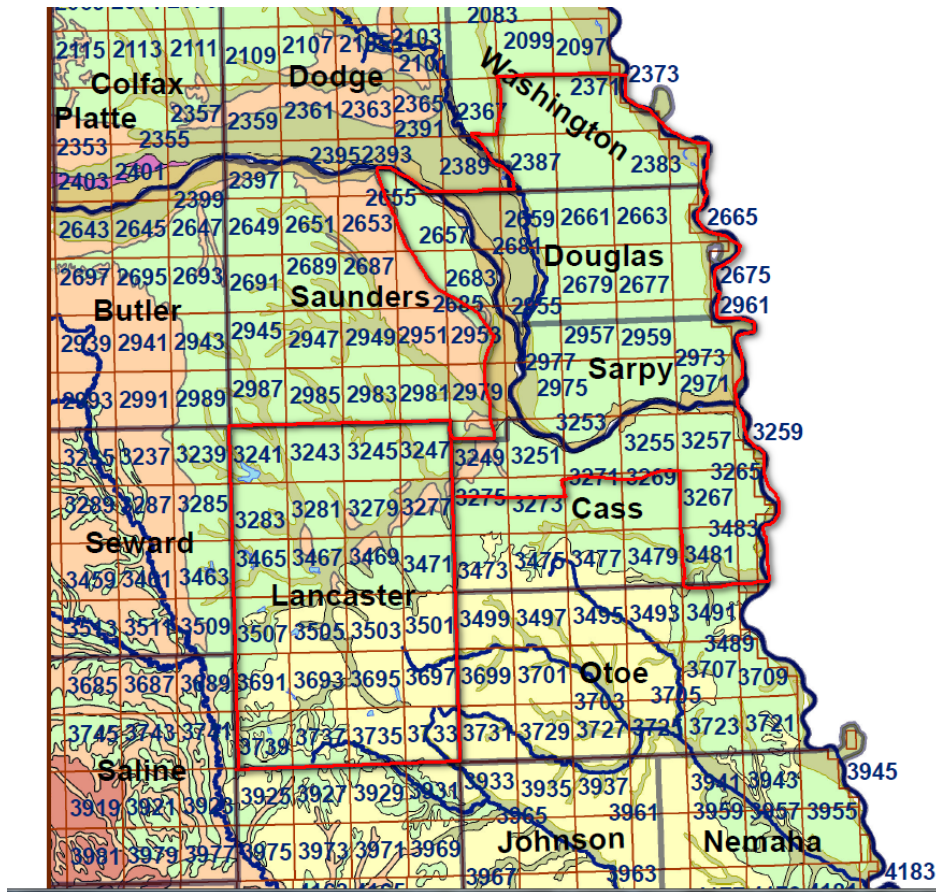
County	Location Description	Median Sale Price/Acre of Dry land
Washington	4 South townships closest to Omaha Metro	\$6,827
Washington	Middle 3 townships near Blair	\$5,942
Washington	Northeast 2 townships along river	\$7,427
Washington	Northern 8 miles, and Geocode 2367	\$4,788
Burt (uninfluenced)	All County	\$4,335

County	Location Description	Median Sale Price/Acre of Dry land
Cass	4 North township closest to Omaha Metro	\$4,752
Cass	South Eastern 4 Townships (Hwy 75 Corridor)	\$4,963
Cass	Northwest 4 townships	\$5,277
Cass	Southern 7 Geocodes	\$4,102
Otoe (uninfluenced)	All except SE Market area	\$4,004

County	Location Description	Median Sale Price/Acre of Dry land
Saunders	Northeast	\$5,942
Saunders	Southeast	\$5,586
Saunders	Todd Valley	\$6,204
Saunders	West	\$4,549
Butler (uninfluenced)	Eastern townships	\$4,063

The areas highlighted for Cass, Saunders, and Washington counties have been determined to be uninfluenced for 2013 because of the relatively similar range of sale prices per acre and median sale prices per acre as compared uninfluenced neighboring counties with similar land features. These areas have been included as a base of sales available to indicate the uninfluenced market value for agricultural

land in counties fully influenced. The map below displays a red boundary around areas in which the market value of agricultural land is determined to be influenced. Douglas, Lancaster, and Sarpy Counties are determined to be fully-influenced county-wide.



Comparable areas

For purposes of determining comparable counties, the Division considers data related to the crop production and cropping patterns produced by the *United States Department of Agriculture (USDA)*, as well as general soil associations indicated by the Major Land Resource Areas determined by the USDA. Land use, topography, and proximity to the subject county are considered when determining the general areas of comparability. The Division also uses cash rent data for agricultural land from the USDA, and University of Nebraska, Lincoln, in a document titled *Nebraska Farm Real Estate Market Developments 2011-2012*.

Since the land in no two areas is identical, absolute comparability is not attainable. The goal is to identify areas reasonably comparable and in reasonable proximity to the county being measured until a sufficient sample of sales is created.

Assessment-to-Sales Ratio Study

The Division creates a preliminary sales ratio analysis using the sales from the counties deemed to be most comparable. Arm's length unimproved sales and improved sales in which the improvement value is less than 5 percent of the sale amount are considered valid for use in the ratio study. The numerator in the ratio is calculated using the agricultural land schedule of special values multiplied by the number of acres in each land capability group for each sale. The denominator in the ratio is the adjusted sale price that represents the price paid for real property.

After the counties' filing of the Abstract of Assessment Form 45, and Assessed Value Update, the schedule of special values for the current assessment year are loaded into the ratio study to calculate new assessments for the "surrogate" sales.

The statutory acceptable range is between 69 and 75 percent of special value. The level of value is determined by analyzing the measures of central tendency resulting from the sample. The weight given to the statistical measures is determined after confirming the representativeness of the sample. The statistics and information regarding the majority land use is also considered.