



Ann Arbor area farmers may be more reluctant to sell development rights as prices sag

Posted by Judy McGovern | The Ann Arbor News March 09, 2009 08:14AM

The depressed real estate market presents new challenges for Ann Arbor's greenbelt program.

The first is that farm owners who might otherwise be prepared to sell may, instead, hold their land.

For many farmers, the value of their land represents a retirement nest egg, said Peg Kohring of the nonprofit Conservation Fund, which staffs the city's greenbelt program. With the appreciation of the past decade wiped away, those who can will likely delay selling, she said.

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The second issue involves the purchase of development rights strategy that's been central to the greenbelt program.

PDR, a mechanism that keeps farm land in production but prevents its future use for development, was effective when the value of well-situated, buildable land was high. With those values now a great deal lower than three or so years ago, PDR may be less attractive.

The value of development rights is the difference between what a developer would pay for property to build on and what a farmer would pay for agricultural use, said Mike Williams of the Ann Arbor appraisal firm Alcock and Williams.

Agricultural prices have held fairly steady, said Williams, whose done numerous appraisals for the greenbelt program.

That means that a PDR deal that - hypothetically - might have brought a farmer \$20,000 an acre a number of years ago, might now yield \$5,000 an acre, he said.

That obviously weakens PDR as a tool for preserving farmland and open space.

And it's a scenario that members of the city's Greenbelt Advisory Commission have been discussing. However, at this point, the picture remains a bit murky.

"There haven't been a lot of sales to back it up," said Williams. "Prices have gone down, development rights have gone down and nobody wants to sell. You want to look at comparable sales, but unless they're

compelled to sell, people are holding their land.

"The value, we think, has gone down, but bonafide sales prices are few and far between. Everybody believes things will get better, so they're waiting."

Washtenaw County's Natural Areas Preservation Program is less apt to be affected because it buys property outright, rather than through PDR.

"We are seeing some very reasonable values," said Tom Freeman, deputy director of the county parks and recreation department, who leads the effort.

Location is also a factor. Although there's overlap, the countywide program acquires property further away from Ann Arbor than the greenbelt program, Freeman noted. In some cases, those values did not spike as high and so have been less changed by collapse of demand for residential development.

Still, there's no rush to sell remarkably lower prices, he said.

"Sellers who want to sell will accept different price than would have before. And, in other cases, they're sitting tight."

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