



PDR Info Sheet

What is the Purchase of Development Rights (PDR) Program?

PDR is a voluntary program that enables property owners to sell their development rights to the Fayette County Rural Land Management Board (RLMB) via a permanent Conservation Easement, while holding fee simple title to the land and continuing to farm.

How does the PDR program benefit farmers?

Farm owners can receive a cash payment for their development rights. These funds can help farmers invest in new crops; purchase needed equipment; invest in new agricultural infrastructure; or purchase additional land for farming.

What farmland is eligible?

Farms of at least 20 acres or more that are located in the Agricultural-Rural (A-R) Zone, are eligible to apply. A farm owner can indicate on their application they intend to consolidate adjacent tracts to meet the 20-acre minimum, and will be required to do so if a conservation easement purchase offer is accepted. Farm owners with less than 20 acres in the A-R Zone can consider donating an easement.

How are farms selected for purchase of development rights?

PDR applications are accepted annually during a specified period. Farm owners will be notified via mail and the LFUCG website. All submitted applications will be reviewed by the PDR staff and scored by criteria found in Chapter 26 of the Code of Ordinances, Section 26-10, and farm owners are notified in writing of their ranking. The highest ranked qualifying farms will generally be placed on our federal application for funding if the farm owner has completed the required federal paperwork.

How are development right values determined?

An independent certified real estate appraiser will be retained by the RLMB to complete an appraisal of the development rights. The development rights value will be the difference between the current unrestricted value of the land, and the value as restricted by a Conservation Easement at the time of appraisal.

Where is the funding to purchase development rights obtained?

In most cases the money paid to farm owners will be 50% local and 50% federal funding. It is important to be aware of the federal program rules, including but not limited to: the prime farmland and statewide important soils of applicant farms must together equal at least 50%; all landowner participants and their shareholders, members or partners must be U.S. citizens; no counter appraisals by landowners are permitted; no landowner or shareholder may have an Adjusted Gross Income (AGI) of more than \$900,000 per year, and if a farm is owned by an LLC or Partnership, these rules apply to the LLC/Partnership as well as each member of the LLC/Partnership. Please contact the Farm Services Agency (FSA) Office at 859.233.0194, if you have any questions about your AGI.

What are the compensation options for selling a Conservation Easement?

A property owner generally has three options: (1) Cash Payment for 100% of the value of the easement which is generally comprised of 50% local and 50% federal funding. (2) "Bargain Sale" – this is generally a 50% cash and 50% donation transaction, but can include a larger percentage of donation. This may benefit farm owners who surpass the federal AGI or who have been advised by their CPA or attorney it is financially beneficial to donate a portion of the easement value. (3) Donation – the farm owner donates the entire value of the conservation easement. Please talk with your CPA or attorney as to how this might benefit you, as the PDR staff is not permitted to provide tax advice per Chapter 26 of the Code of ordinances.

How long does the process take?

The federal match funding program is a wonderful tool that allows the RLMB and PDR Program to double their dollars, but because farmland is being conserved nationwide, it is a slow process. Farm owners should plan for 2-3 years from the time they apply to PDR until they are paid, if funding is received and all qualifications are met.

Does the property owner have any out of pocket expenses?

The RLMB will pay for the appraisal when purchasing an easement as required by the federal matching fund guidelines, and will also pay the closing attorney's fees. The landowner is required to pay for required surveys and recorded plats. Surveys are generally only required if any portion of the farm is in an adjacent county, or in cases where the property owner plans to consolidate or subdivide the property prior to closing.

Can farmland be developed in the future if development rights are sold?

No, the property may never be developed for non-agricultural uses. Be sure you understand how the Conservation Easement will affect your land and your estate planning, and talk with your attorney or CPA if you have questions. The PDR staff is not permitted to provide tax or legal advice.

Can farmland be subdivided in the future if development rights are sold?

Subdivision or selling less than 100% of the property is prohibited in most cases, and property owners receive ranking points for giving up their right to subdivide. Approximately 5% of PDR farm owners have retained their right to subdivide, and history shows they are paid approximately \$1,000 less per acre when doing so, since they are retaining rights most PDR farm owners forego. The federal funding guidelines now permit limited subdivision, but the property owner must indicate their desire to do so on their PDR application, and follow a strict federal process that is dependent on the approval of the Chief of the USDA Natural Resources Conservation Service. We therefore encourage property owners to consider estate planning and future financial needs when considering PDR, and take care of any needed property changes prior to applying.

Can I add housing and agricultural buildings to my PDR farm?

Fayette County generally allows 1 primary residence per farm in the A-R Zone and 1 tenant house per 40 acres, and the PDR Program follows those guidelines. Farm owners can submit a PDR Housing and Infrastructure Request Form and as long as the impervious surface limit in their easement has not been surpassed, the RLMB can hear the request at their monthly meeting. The request form can also be used for agricultural buildings, which are generally only subject to the impervious surface limit and Board or staff approval.

Can I operate non-agricultural commercial activities on my PDR farm?

Commercial activities are limited to agriculture production as defined in the conservation easement. They are also subject to Fayette County's Zoning laws, which prohibit most non-ag commercial activities, such as wedding venues, in the A-R Zone.

Where can I read the PDR conservation easement?

The easement template can be found on the LFUCG's PDR webpage at www.lexingtonky.gov/pdr . It is generally updated each time Congress passes a new Farm Bill.

Who can I contact with questions?

Please contact PDR Director, Beth Overman, at boverman@lexingtonky.gov or 859-425-2227. Please note the PDR office is a 1-person office so you will likely have to leave a voice mail, and Beth will return your call. She is happy to meet with you in person, or by phone or Zoom, to answer any questions.

Thank you for your interest in the PDR Program. Fayette County is the Horse Capital of the World and home to the largest stockyards east of the Mississippi River, and we will hope you will join us in protecting our prime farmland soils.

