

MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION



Annual Report
Fiscal Year 2011



Maryland Department of Agriculture

Agriculture | Maryland's Leading Industry

Office of the Secretary

Martin O'Malley, Governor
Anthony G. Brown, Lt. Governor
Earl F. Hance, Secretary
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MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION
January 15, 2012

The Honorable Martin O'Malley, Governor
The Honorable Thomas V. Miller, Jr., President of the Senate
The Honorable Michael E. Busch, Speaker of the House

Gentlemen:

We are pleased to present the Annual Report of the Maryland Agricultural Land Preservation Foundation (MALPF) for Fiscal Year 2011 in fulfillment of the requirements in both the Agriculture Article, § 2-506, and the State Planning Article, § 5-408(i). Maryland is a national pioneer and leader in land preservation, and the Foundation's program represents the core of the State's preservation efforts. The Foundation was created more than thirty years ago to implement one of the first state farmland preservation programs in the country.

Because of relatively low funding, the Foundation combined its funding from FY 2011 and 2012 into a single easement acquisition cycle. (As of June 30, 2011, the Foundation has purchased perpetual preservation easements on 2,043 farms, totaling about 279,223 acres.) For the combined cycle, MALPF has received 200 applications.

The Foundation's mission is to perpetuate a viable agricultural industry and help curb sprawl development by preserving a critical mass of Maryland's productive farmland. With the strong support of the Governor's Office, the General Assembly, the agricultural community, and Maryland's citizenry, we will continue our efforts by focusing on protecting the best quality farms, building on existing preservation areas to increase the size of contiguous blocks of preserved farmland, and finding additional incentives to bring critical farms into the Program. With the Foundation's county partners, we will work to maintain the agricultural support structure and direct non-agricultural development away from agricultural areas.

Your continued support allows us to protect more of this precious land as development pressures increase. Once farmland and woodland are lost to development, they are unlikely ever to return to productive agricultural use. We thank you for your past support, and we ask for your continued support into the future.

Sincerely,

[Signature of Robert F. Stahl, Jr.]
Robert F. Stahl, Jr.
Chair, MALPF Board of Trustees

[Signature of Earl F. Hance]
Earl F. Hance
Secretary of Agriculture

[Signature of Carol S. West]
Carol S. West
Acting Executive Director

Martin O'Malley
Governor
Anthony G. Brown
Lieutenant Governor
Earl F. Hance
Secretary of Agriculture
Mary Ellen Setting
Deputy Secretary of Agriculture
Robert F. Stahl, Jr.
Chair, MALPF Board of Trustees

Maryland Department of Agriculture

The Maryland Agricultural Land Preservation Foundation

Annual Report 2011

50 Harry S. Truman Parkway, Room 104, Annapolis, Maryland 21401

January 15, 2012

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Program Overview

Introduction

The Maryland Agricultural Land Preservation Foundation (MALPF) was created in 1977 by the Maryland General Assembly. It is an agency of the Maryland Department of Agriculture. MALPF purchases agricultural land preservation easements that forever restrict development on prime farmland and woodland.

As of June 30, 2011, MALPF has now cumulatively purchased permanent conservation easements on about 2,043 farms covering about 279,223 acres. The Foundation has preserved farmland in all of Maryland's 23 counties. Today, the Foundation manages a public investment of over \$588,600,000.

The Foundation's statutory mission is to preserve productive farmland and woodland for the continued production of food and fiber for the present and future citizens of the State. Preserving agricultural land helps curb the expansion of random urban development, protects wildlife habitat, and enhances the environmental quality of Maryland's waterways.

Program Administration

The Maryland Agricultural Land Preservation Foundation is governed by the Agriculture Article, §2-501-2-515 of the Annotated Code of Maryland. A Board of thirteen trustees and a staff of seven administer the Program. The Board includes the Secretaries of Agriculture and Planning and the State's Treasurer and Comptroller as *ex-officio* trustees. The other nine Board members serve "at-large" and come from various regions of the State and different kinds of agriculture. These nine members are appointed by the Governor for a four-year term with one reappointment possible. At least five at-large members are farmer representatives. Individual members represent the Maryland Agricultural Commission, the Maryland Farm Bureau, the Young Farmers' Advisory Board, the Maryland State Grange, and the Maryland forestry industry. The Governor appoints the Chair of the Board of Trustees from among the nine at-large members.

The Program partners with county governments. By statute, each county appoints a five-member (in Worcester County, a seven-member) advisory board to assist MALPF by providing information and recommendations about the Program's operations; assisting with the creation of Program rules, regulations and procedures; and setting easement purchase priorities. Each MALPF easement purchase has already been reviewed and approved by the county in which the property is located.

Each county designates a program administrator to act as the liaison between the agricultural community and MALPF. County program administrators also help monitor MALPF properties, help landowners prepare applications and requests, and advise landowners on the range of preservation options.

[NOTE: Throughout this Annual Report, MALPF numbers have been corrected and updated as per the Program's DataBase.]

Eligibility Requirements

Each property must meet minimum size, soil productivity, and location criteria to qualify for the Program.

- The property's size must be at least fifty contiguous acres. A smaller property (less than 50 acres) may qualify to participate if it is adjacent to land already permanently preserved, and together they compose a contiguous block of protected land of fifty acres or more.
- The property must contain at least fifty percent of its soils classified as USDA soil capability Class I, II, or III and/or Woodland Group 1 or 2. These soils are considered prime, capable of producing agricultural commodities with reasonable yields and returns to ensure continuing profitability. (Because of changes to the classification of productive wood-lands in the USDA soil survey, MALPF will update its eligibility criteria.)
- The property must be outside any ten-year water and sewer service plan, unless it is extraordinarily productive and of significant size.

Landowners in the Program

Owners of eligible farmland and/or woodland can sell or donate an agricultural land preservation easement on their properties to ensure that the properties remain in agriculture forever.

An agricultural land preservation easement is a legal contract between a landowner and MALPF that provides for the perpetual preservation of the landowner's property by restricting the property to agricultural use, requiring good stewardship of the land, and allowing the retention of limited and explicitly defined development rights. After signing, the deed of easement is recorded among the county land records so all future owners of the property will be aware of and bound by its terms and provisions.

The property continues to be owned privately. It may be bought, sold, leased or inherited without interference, as with all other land, but always subject to the recorded restrictions. MALPF is responsible to monitor the property to ensure compliance with the terms of the easement.

Selling an Easement - Local Process

Landowners interested in selling an easement to MALPF apply through their county program. Local governments review and approve applications and then rank properties relative to other county properties applying to the Program. MALPF makes offers to purchase easements based on these rankings and available funding.

County ranking systems follow State guidelines emphasizing the quality of the property, the importance of a property for the county's strategic land-use objectives, contiguity to other preserved properties, and the willingness of the landowner to discount the asking price from the easement value. Each county ranking system assigns relative weight to each ranking element, but cannot use only one of these elements to rank its properties. Each county's ranking system is reviewed and approved by the county's governing authority and the MALPF Board of Trustees.

When applying to sell an easement, landowners must include their *asking price*. The maximum amount that MALPF can pay for an easement is the landowner's asking price, the easement value, or a price cap determined by the county, whichever is the lowest. A property's *easement value* is determined by subtracting its *agricultural value* from the appraised fair market value. (See the Easement Value Formula text box below.) Those who sell an easement for less

than the full easement value may qualify under IRS guidelines for certain tax benefits.

The Foundation continues to use the discount ratio for any offers made during the second statewide round when the county allocation of funds has been exhausted. Properties are ranked by a ratio determined by dividing the landowner's asking price by the appraised easement value. A ratio of less than 1.0 indicates that the landowner is willing to sell an easement for less than the appraised easement value, letting MALPF purchase the easement at a discount. The landowner who offers the best discount to the State is ranked first. Discounting maximizes the number of easement acres the State can acquire during the second round.

Settlement generally takes place one to eight months after the Maryland Board of Public Works approves the accepted offer. Settlement may take longer if survey work is needed, acreage must be verified, additional owner signatures are needed, financial institutions or third party interests are discovered, or unforeseen title problems are identified. The Foundation continually evaluates ways to shorten the time to go to settlement.

Since 1985, the Foundation has required a Soil Conservation and Water Quality Plan for each applicant property. The required plan identifies existing soil conservation and water quality problems on the land and recommends needed conservation measures and an implementation schedule. The landowner is responsible for implementing the plan according to schedule if an easement is purchased on the property. This requirement is included in the recorded Deed of Easement as a special condition. Thereby, the amount of land protected from erosion is increased, potential yield is protected, and the flow of sediment into Maryland's waterways is reduced.

A Forest Stewardship Plan is required prior to easement settlement on properties with 25 or more contiguous acres of woodland. All properties are required to be in compliance with the Nutrient Management Program prior to easement settlement.

The original easement seller often retains the right to construct a dwelling for his or her personal use and/or the use of an eligible child, subject to certain restrictions such as location review, meeting density requirements, and county approval. Easements sold by non-family corporations retain the right to construct one owner's house on the property as long as the corporation or the property does not transfer. Non-family corporations do not retain the right to construct houses for the use of children of corporation members.

Since October 1, 2003, an easement seller may choose to retain one unrestricted lot which, if not utilized, will survive the sale or transfer of the property, or up to three family lots (owner and children) which, if not utilized, will *not* survive the sale or transfer of the property.

Selling an Easement – State Process

After local approval, the Office of Real Estate within the Maryland Department of General Services contracts with two independent fee appraisers to estimate the fair market value of each approved applicant's property, not including improvements. Properties with fewer than 50 acres are appraised as if they were part of a 50-acre parcel.

The Office reviews each appraisal and recommends the appraisal that best represents the property and adheres to the appraisal specifications set by MALPF and included in its contract agreement with the appraiser.

Applications and Offers

The number of applications submitted to MALPF has varied widely. As recently as FY 2006, only 123 applications were submitted to the counties. While in FY 2009 the counties received 502 applications, the largest number in the history of the Program. Because available funding was relatively limited, MALPF has instituted several changes to the operation of the program in order to better its chances of obtaining at least one easement offer in each county. For the past four fiscal years, 2009/2010 and 2011/2012, MALPF has combined the fiscal years funding. In addition, the Foundation has limited the maximum number of applications it accepts from each county to a sixteen. At a cost of about \$1,500 to \$1,600 per applicant since 2006, this equals a substantial savings in appraisal costs: 443 applicants in 2008 at a cost of \$710,000 versus 199 applicants in 2011 at a cost of \$306,000.

In June, 2011 MALPF made nineteen easement offers. Additional FY 2011 offers will be made in FY 2012 and will be reported in that year's Annual Report. These nineteen offers were made at a potential cost of about \$10,819,261 and, if settled, and will cover over 2,071 acres.

Easement Value Formula:

The Appraised Fair Market Value less the Agricultural Value equals the Easement Value		
The <i>appraised fair market value</i> is determined by at least two appraisals conducted by the State and any appraisal submitted by the landowner, if included with the application. The Department of General Services reviews the appraisals for the quality of their methodology to determine the preferred appraisal.	The <i>agricultural value</i> is determined by a formula required by statute that calculates a land rent based on soil productivity.	The <i>easement value</i> establishes the maximum compensation a landowner can be offered by the Foundation to purchase an agricultural land preservation easement.

**Applications by Landowners to Sell an Agricultural Conservation Easement to the
Maryland Agricultural Land Preservation Foundation
(FYs 2005 through 2011)**

County	FY 2005		FY 2006		FY 2007		FY 2008		FY 2009		FY 2011	
	Received	Approved										
Allegany	0	0	0	0	1	1	5	5	6	6	9	8
Anne Arundel	0	0	0	0	1	1	1	1	2	2	4	4
Baltimore	17	8	11	11	20	20	26	26	23	17	15	15
Calvert	0	0	0	0	0	0	0	0	0	0	0	0
Caroline	13	13	12	11	41	41	55	55	60	16	16	16
Carroll	16	15	13	13	23	23	36	36	20	20	4	4
Cecil	6	6	3	3	24	24	29	29	38	16	16	15
Charles	3	3	13	13	12	12	14	14	21	16	16	16
Dorchester	8	8	8	8	7	7	14	14	26	16	10	10
Frederick	8	7	2	2	20	20	30	30	33	16	7	7
Garrett	4	4	2	2	5	5	3	3	7	7	6	6
Harford	2	2	2	2	5	5	14	14	12	12	7	6
Howard	3	3	0	0	1	1	0	0	0	0	0	0
Kent	12	11	12	12	25	25	24	24	36	16	15	15
Montgomery	0	0	1	1	3	3	1	1	2	2	3	3
Prince George's	2	2	0	0	3	3	5	5	5	5	6	5
Queen Anne's	5	5	1	1	20	20	46	46	75	16	10	10
St. Mary's	12	10	15	15	33	33	41	41	41	13	16	16
Somerset	2	2	0	0	22	22	24	24	21	16	7	7
Talbot	13	13	10	10	21	21	31	31	37	16	16	16
Washington	20	16	12	12	24	24	24	24	24	8	10	10
Wicomico	3	3	0	0	5	5	5	5	10	10	8	8
Worcester	4	4	6	6	9	9	16	16	4	4	3	3
TOTALS	153	135	123	122	325	325	444	444	503	250	205	200

In FY 2009, funding was combined with FY 2010, and the number of applications approved and forwarded to MALPF was limited to a maximum of sixteen per county, or more if the county is willing to pay for the additional appraisals. This was repeated for FY 2011 and 2012. Please consult the easement acquisition tables later in this report for the actual number of easements acquired each fiscal year. Please note that each year's number may include reapplications from landowners not receiving an offer or rejecting an offer from a previous year or years.

Program Funding - FY 2011

The Maryland Agricultural Land Preservation Foundation is primarily funded through dedicated revenues from the State's Real Estate Transfer Tax and its Agricultural Transfer Tax. The State Transfer Tax is a tax assessed on all real estate property transfers. The Foundation receives 17.05% of the State Transfer Tax remaining after certain funds are set aside by the State for long-term obligations and allocations.

The Agricultural Transfer Tax is collected when farmland is sold and converted to another land use. The Foundation receives two-thirds of the Agricultural Transfer Tax collected by each county, while one-third is retained by the local jurisdiction for agricultural land preservation purposes. A county with a local agricultural land preservation program certified by the Foundation and the Maryland Department of Planning may retain 75% of the Agricultural Transfer Tax collected to spend for local land preservation purposes.

Many of the Foundation's county partners commit matching funds to help acquire easements. Most local funds derive from the counties' share of agricultural transfer taxes, but some add other county funds. The matching fund commitments are used to extend offers to landowners within each county on a 40% county and 60% State matching fund basis after State general allocation funds are committed. The total commitment of Matching Funds by counties for our current cycle is estimated to be \$8.7 million.

As in the FY 2009/2010 easement offer cycle, the MALPF Board of Trustees again combined its funding appropriations from FY 2011 and FY 2012 for a single round of offers to maximize the number of easement offers that can be made given limited funding availability. The Foundation received legal advice from the Office of the Attorney General that combining two years' funding for a single easement acquisition round is consistent with State law. With this change, counties were prepared to include two years of commitment of matching funds given the inclusion of FY 2012 appropriations in the current offer cycle.

Because of some high per acre easement acquisition values, if MALPF used only the general allotted State funding of \$376,147 per county for FY 2011, some counties would not have enough funding even for an insufficient funds offer to the first applicant in Round One. Without combining two years' funding, these counties would see all of their general allocation funds rollover to Round Two statewide offers. Other counties would have enough for an insufficient funds offer for the first property on their offer list, but most likely not enough for a full offer. Also, funds that would otherwise be spent on additional appraisals in FY 2012 will now go to easement acquisition.

ALLOCATION OF FUNDS FOR FY 2011

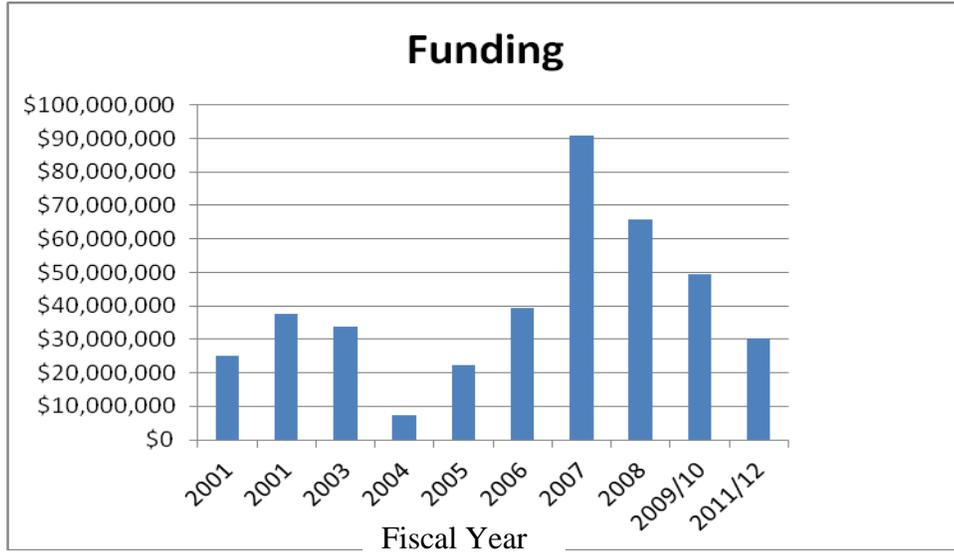
The following funding information for the combined FY 2011 and 2012 easement acquisition cycle is taken from the "Allocation of Funds Report" for FY 2011 dated June 1, 2011 and adopted by the Board of Trustees at its June 2011 meeting to allocate funds among county participants based on an estimation of the actual funds available for easement offers:

TOTAL STATE FUNDS AVAILABLE FOR FY 2011 EASEMENT OFFERS.....	\$ 21,670,000
TOTAL LOCAL FUNDS AVAILABLE FOR FY 2011 EASEMENT OFFERS	\$ 8,694,000
TOTAL FUNDS AVAILABLE FOR FY 2011 EASEMENT OFFERS.....	<u>\$30,364,000</u>

Previous Years Funding:

Over the last ten years, MALPF funding has varied from a low of about \$7,000,000 in 2004 to a high of about \$92,000,000 in 2007:

Maryland Agricultural Land Preservation Foundation



MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION
ACREAGE PRESERVED AND ACQUISITION COSTS: FYs 1977-2011

Fiscal Year	Annual Historical Data	Annual Net New MALPF Acreage	Acquisition Costs for Easement Acquisitions	Average Cost Per Acre
1977		68	\$1	\$0
1981		1,979	\$1,796,310	\$908
1982		4,572	\$4,078,308	\$892
1983		6,060	\$5,293,601	\$874
1984		8,017	\$6,123,082	\$764
1985		7,821	\$6,576,371	\$841
1986		7,789	\$6,895,360	\$885
1987		11,559	\$8,760,592	\$758
1988		9,533	\$7,009,369	\$735
1989		11,533	\$9,301,824	\$807
1990		8,902	\$11,325,473	\$1,272
1991		15,593	\$20,835,686	\$1,336
1992		4,179	\$6,967,332	\$1,667
1993		0	0	0
1994		4,934	\$7,225,023	\$1,464
1995		6,206	\$8,975,584	\$1,446
1996		9,358	\$13,742,725	\$1,469
1997		6,413	\$11,107,616	\$1,732
1998		9,204	\$12,456,469	\$1,353
1999		10,843	\$16,003,366	\$1,476
2000		12,569	\$21,777,232	\$1,733
2001		12,760	\$21,576,941	\$1,691
2002		19,396	\$35,208,311	\$1,815
2003		22,757	\$40,592,870	\$1,784
2004		12,981	\$30,744,515	\$2,368
2005		3,951	\$9,457,445	\$2,394
2006		6,905	\$19,053,423	\$2,759
2007		8,304	\$35,726,642	\$4,302
2008		13,894	\$75,391,948	\$5,426
2009		9,885	\$68,004,106	\$6,880
2010		7,152	\$43,528,523	\$6,086
2011		4,106	\$23,127,787	\$5,633
TOTALS		279,223	\$588,663,835	

Note: MALPF's first easement was donated.

New Regulations and Legislation

Introduction

The policy work of MALPF staff and Board members during FY 2011 focused primarily on the following: 1) implementing a change (via regulation) from the 2009 legislative session (SB 362) for Converting an Existing Dwelling to a Tenant House; 2) establishing law via regulation regarding proposed Forest Easement Overlays; 3) establishing new guidelines and procedures for the review and processing of Agricultural Subdivision Requests and; 4) new procedures (Corrective Easements) for other requests which may change a Foundation easement's boundaries or terms.

New Regulations

1) Converting an Existing Dwelling - 2009 legislation made it possible for a landowner to convert an existing dwelling to a tenant house. However, the Foundation will only approve a dwelling to be re-designated to a tenant house if the request meets the criteria for approval of a new tenant house.

2) Forest Easement Overlays - The regulation requires that proposed overlays shall be limited to 10 acres or 10 percent of the property, whichever is smaller. The overlay must also permit harvesting, serve a resource conservation purpose, and meet other criteria.

3) Agricultural Subdivision Requests - The regulation lays out several criteria for approval which are also explained on Fact Sheet 10 on www.malpf.info. If a request is approved the landowner(s) will be required to put Corrective Easements on the portions of the property which will be divided.

4) Corrective Easements- Corrective easements are required to formalize the Foundation's approval of Agricultural Subdivision requests and other requests that may change a Foundation easement's boundaries or terms. They may include other additional terms, conditions, waivers, or restrictions that the Foundation considers appropriate to protect the agricultural purpose and the future profitability of the farm. A corrective easement for an agricultural subdivision request will include a waiver of the right to request termination under Agriculture Article §2-514 Annotated Code of Maryland.

Legislation

HB 214 -MALPF- Critical Farms Fund and Program. The bill is the final authorization the MALPF needed to fully implement a Critical Farms Program, as required by Chapter 155, Laws of Maryland 2005, and as recommended by the 2004 MALPF Task Force Report. If funding is available, the Program may provide interim or emergency financing for easement acquisition or fee simple acquisition and resale with easement to permanently protect critical farms otherwise highly likely to be sold for nonagricultural uses. For a property to qualify as "critical," it must be at high risk for being converted to nonagricultural uses and meet the State's and county's criteria for importance based on its size, highly productive soils, and strategic location. There is currently no funding available for this Program.

Cooperative Arrangements with Other Agencies and Programs

MALPF is one of the oldest and most successful programs of its kind in the nation. Combining MALPF with the State's Rural Legacy and GreenPrint Programs and the county farmland preservation programs, Maryland has preserved over 558,914 acres and more than 8.95% of the State's land base.

Rural Legacy Program

In 1999, the Maryland Agricultural Land Preservation Foundation's Board of Trustees approved the concept of co-holding Rural Legacy easements on properties whose focus is primarily agricultural and that generally meet the minimum qualifications of the Foundation's Program. Final approvals are given on a case-by-case basis and are contingent upon the Rural Legacy easements not having any language that could potentially conflict with MALPF program restrictions. Further, the Board requires a Memorandum of Agreement between the Rural Legacy sponsor and MALPF to outline easement monitoring and enforcement responsibilities.

Settlement of Rural Legacy easements is the financial responsibility of the Rural Legacy sponsor. There is no cost to MALPF other than administrative costs associated with ensuring easement monitoring and enforcement when accepting a co-held Rural Legacy easement. Co-held Rural Legacy easement acreage is not counted in MALPF's acreage totals, but is rather credited to the Rural Legacy Program as the State funding agency.

No new applications were made in FY 2011 for co-held Rural Legacy easements. As of June 30, 2011, the Rural Legacy Program had permanently preserved a total of 70,953 acres statewide.

**TOTAL ACREAGE PRESERVED
BY THE RURAL LEGACY PROGRAM**
(Based on Board of Public Works approvals
as of 6/30/2011)

Fiscal Year	Rural Legacy Preserved Acreage
1999	376
2000	1,036
2001	13,330
2002	15,013
2003	10,376
2004	8,990
2005	1,176
2006	1,786
2007	1,613
2008	4,915
2009	3,563
2010	4,325
2011	4,454
TOTALS	70,953

Source: RLP, DNR

For more and updated information about the Rural Legacy Program, please consult the website at the Department of Natural Resources: <http://www.dnr.state.md.us/rurallegacy/>

GreenPrint Program

In the fall of 2010, MALPF was able to combine remaining funds from the GreenPrint Program with MALPF funding to purchase an easement over 339 acres in Dorchester County. GreenPrint properties must meet certain environmental features criteria determined by the Department of Natural Resources, which the MALPF property did.

Maryland Department of General Services

The Maryland Department of General Services (DGS) is contracted to provide support services to the MALPF Program's easement acquisition process. The DGS Office of Real Estate contracts for two independent appraisals to be done on each applicant property to establish its fair market value. The appraisals are then reviewed by DGS review appraisers who recommend, based on the quality of the appraisals, the better value for MALPF staff to use in calculating the property's easement value (the maximum that can be offered to purchase the conservation easement).

The Office of the Attorney General at DGS also provides support by reviewing title, property descriptions, and arranging for title insurance and settlements, filing and monitoring title insurance claims, and assisting in the investigation of Easement violations, as well as advising on more general legal issues before the Foundation, such as compliance with the Open Meetings Act and State Finance and Procurement Article.

Federal Farm and Ranch Lands Protection Program

The remaining Federal Farm and Ranch Lands Protection Program (FRPP) funds were expended during FY 2011. Two additional MALPF easements settled in FY 2011 using FRPP funds from the 2005-2006 federal grants awarded to MALPF. Due to changes in the FRPP, MALPF has not applied for any additional grants since the 2006 federal cycle.

MALPF EASEMENTS WITH FRPP FUNDING BY COUNTY

County	Number of Easements Acquired	Total Direct Cost of Easement Acquisition	Total FRPP Funding Commitment	FRPP Funds as a Percent of Total Easement Cost	Total Acreage Acquired	Acreage Acquired with FRPP Funding
Anne Arundel	4	2,812,056	428,959	15%	688	105
Baltimore	12	8,868,564	1,705,017	19%	1,609	309
Calvert	3	2,510,488	362,868	14%	404	58
Caroline	11	2,934,578	1,224,356	42%	2,063	861
Carroll	5	1,553,003	466,489	30%	648	195
Cecil	14	6,469,680	1,313,262	20%	1,592	323
Charles	3	1,920,067	398,634	21%	774	161
Dorchester	13	3,273,352	1,102,124	34%	1,762	593
Frederick	12	5,938,376	1,927,940	32%	1,517	493
Garrett	1	153,435	52,632	34%	102	35
Harford	10	3,765,470	1,150,113	31%	597	182
Howard	1	331,875	77,777	23%	23	5
Kent	9	3,859,250	1,144,605	30%	1,636	485
Queen Anne's	19	6,699,080	2,168,022	32%	3,079	996
St. Mary's	13	8,651,397	2,642,914	31%	1,397	427
Somerset	7	831,379	306,749	37%	839	309
Talbot	6	2,144,787	612,299	29%	1,025	293
Washington	11	6,083,236	1,364,996	22%	1,649	370
Wicomico	8	2,286,339	785,160	34%	818	281
Worcester	5	1,471,301	440,024	30%	1,026	307
TOTALS	167	72,557,713	19,674,939	27%	23,248	6,788

Certification of County Agricultural Land Preservation Programs

Certification of Local Agricultural Land Preservation Programs (the “Certification Program”) was created by the Maryland General Assembly in 1990 and is jointly administered by the Maryland Agricultural Land Preservation Foundation (MALPF) and the Maryland Department of Planning. Program participation by interested counties is voluntary. Counties with an effective local agricultural land preservation program seeking certification apply to both MALPF and Maryland Department of Planning. Currently, fifteen Maryland counties are certified under this program: Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Frederick, Harford, Kent, Montgomery, Queen Anne's, St. Mary's, Talbot, Washington, and Worcester.

The Certification Program allows counties to 1) create a preservation program that best meets local goals and needs and 2) retain greater portions of the Agricultural Transfer Tax if they are able to demonstrate that they have an effective program to preserve agriculturally viable farmland. In combination with easement purchases, counties use other preservation tools such as agricultural zoning, transfer of development rights (TDRs), right-to-farm policies, and the designation of agriculture as the best use of certain lands. Certified counties are allowed to keep 75% of the Agricultural Transfer Tax revenue they collect whereas non-certified counties retain 33%. The increase in a county's share of Agriculture Transfer Tax helps support its agricultural land preservation program by defining areas targeted for preservation and establishing acreage goals. All retained funds must be spent or encumbered for land preservation purposes within three years or the funds revert to MALPF.

With the passage of HB 2 in the 2006 and HB 1354 in the 2007 legislative sessions, counties are required to establish Priority Preservation Areas (PPAs) in order to obtain or maintain Certification under the joint MALPF/Maryland Department of Planning Certification Program.

In May, 2010 Caroline County requested and obtained approval to become certified for the first time. Prince George's County has been actively working with MALPF staff to obtain certification and Allegany County has expressed interest.

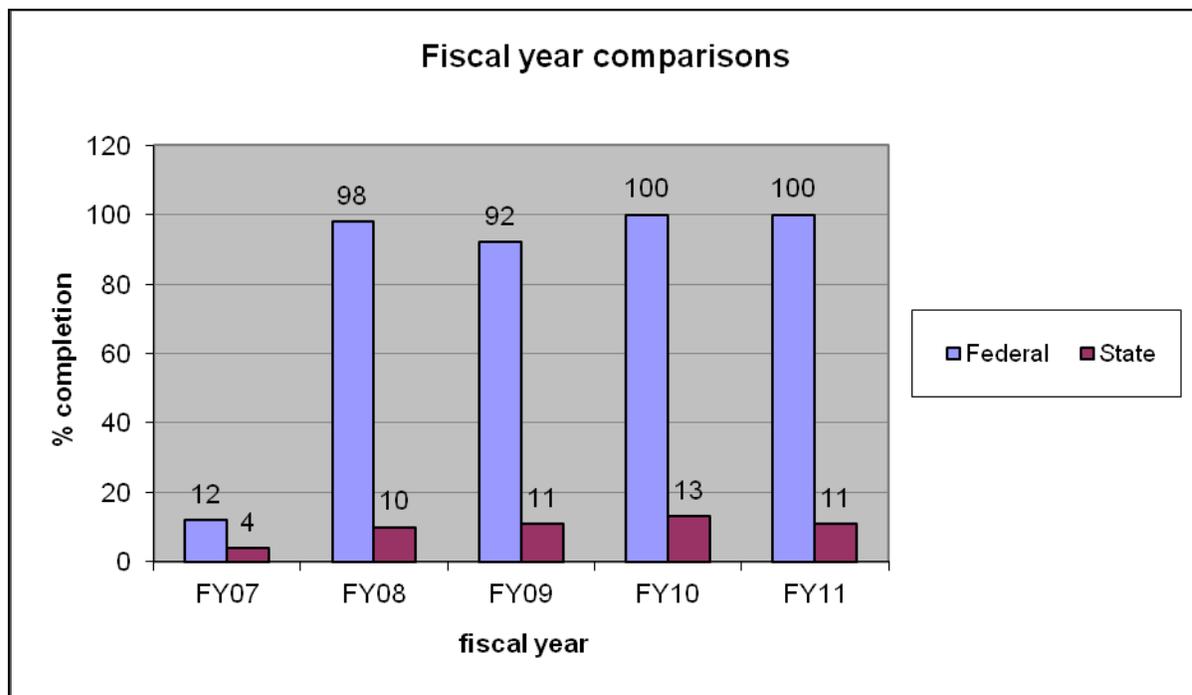
Both Wicomico County (effective September, 2009) and Charles County (effective December, 2010) lost their certification due to the inability of each county's zoning, related land use and easement acquisition tools to stabilize the agricultural and forest land base. This must be done in order to provide time to achieve State and local preservation goals to stop resource land from being compromised by development. Neither County has yet established an approved PPA. Below is the status of the Certification Program:

**Maryland Agricultural Land Preservation Foundation
Current Status of Certified Counties**

COUNTY	CURRENT CERTIFICATION STATUS	CERTIFICATION PERIOD
Allegany	Not Certified	
Anne Arundel	Recertified	June 30, 2012
Baltimore	Recertified	June 30, 2012
Calvert	Recertified	June 30, 2012
Caroline	Certified	June 30, 2013
Carroll	Recertified	June 30, 2012
Cecil	Recertified	June 30, 2012
Charles	Not Recertified	Dec 1, 2010
Dorchester	Not Certified	
Frederick	Recertified	June 30, 2012
Garrett	Not Certified	
Harford	Recertified	June 30, 2014
Howard	Not Certified	June 30, 2007
Kent	Recertified	June 30, 2012
Montgomery	Recertified	June 30, 2012
Prince George's	Not Certified	
Queen Anne's	Recertified	June 30, 2012
St. Mary's	Recertified	June 30, 2012
Somerset	Not Certified	
Talbot	Recertified	June 30, 2014
Washington	Recertified	June 30, 2014
Wicomico	Not Recertified	Sept. 30, 2009
Worcester	Recertified	June 30, 2012

Monitoring Easements

In 1983 the Maryland Agricultural Land Preservation Foundation (MALPF) Board of Trustees adopted a policy to inspect 10% of the easements each year. In the mid to late 1990's MALPF partnered with the Farm and Ranchland Protection Program, a federally funded program through the United States Department of Agriculture (USDA), which required all of their easements to be inspected annually. For each year, the goals are to inspect 10% of the state funded easements and 100% of the federally funded easements. Below is a chart which illustrates MALPF's inspection progress through the years.



Inspections are conducted to ensure compliance with the Deed of Easement. Many violations are considered minor, such as outdated soil and water quality plans or forest management plans, and these are easily corrected once the landowner is notified. However occasionally, there are more serious violations. MALPF Staff attempts to work with landowners to resolve violations without having to take the violations before the Board of Trustees. If resolution cannot be reached, MALPF can utilize a number of legal methods to regain compliance, including lawsuits and civil penalties.

Easement Acquisition History

Per Acre Values and Acquisition Costs

FY 2009 easement acquisition cycle data showed that the rapid increase in Maryland real estate market values since FY 2002 had probably peaked and started to decline. The average per acre market value of agricultural land peaked in FY 2007 at \$10,341 then declined in FY 2009 16% to \$8,675. During the same period, the average per acre easement value peaked at \$9,496 then declined 17% to \$7,918. Not enough offers have yet been made for the FY 2011 cycle to determine a change in values.

FY 2009 acquisition costs had also started to decline. Average per acre acquisition costs rose from \$5,952 in FY 2007 to \$6,758 in FY 2008, an increase of \$806 per acre or almost 14%. However, in FY 2009, per acre acquisition costs declined 12% to \$5,941. Though only four offers were made in FY 2010, too small of a population to provide a good measurement, the overall per acre cost declined about another \$1,000 per acre, with an average per acre cost of \$4,958. For the nineteen offers made for the FY 2011 cycle, the average per acre cost is \$5,222. However, this sample is too small to be a determinant for the entire cycle and a true value will be determined for the FY 2012 Annual Report.

Acreage Adjustments

Acreage adjustments from recorded lot exclusions, option contracts not settling, and other changes in acreage, such as from a new survey before settlement on an easement, result in a net decrease of acres in the Program's total acres preserved. These adjustments are incorporated into the cumulative totals reported in the table below.

Regional Distribution of Easement Acquisitions

The largest distribution of easement acreage continues to be the Upper Eastern Shore (Queen Anne's, Talbot, Cecil, Kent and Caroline Counties). This area accounts for 98,364 easement acres, or 35% of all easement acreage statewide. The Upper Shore Region continues to surpass the Central Region of Maryland in the number of easement acres, though it has continued to decline slightly in its relative proportion of total easement acreage from FY 2007.

The Central Region (Baltimore, Carroll, Harford, Howard and Montgomery Counties) now has a total of 85,597 acres enrolled in the easement program, accounting for 31% of statewide easement acreage, continuing its slow relative decline from 33.5% of the total at the end of FY 2002.

The third largest area of easement properties is the Western Region (Allegany, Frederick, Garrett and Washington Counties) with a total of 37,868 acres, or 14% of the total easement acreage.

The Southern Region (Anne Arundel, St. Mary's, Prince George's, Charles, and Calvert Counties) continues to increase its share of total easement acreage, from 8.2% in FY 2002 to 9% of easement acreage from the FY 2009/10 acquisition round, with a total of 26,647 acres.

The Lower Eastern Shore (Dorchester, Wicomico, Worcester and Somerset Counties) now has a relative share of statewide easement acreage of 11%, with 30,844 acres.

MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION

EASEMENTS ACQUIRED

(As of June 30, 2011)

COUNTY	TOTAL EASEMENTS ACQUIRED		PERCENT OF TOTAL
	Number	Acreage	
Allegany	3	535	0.19%
Anne Arundel	37	4,602	1.65%
Baltimore	208	22,151	7.97%
Calvert	35	4,694	1.68%
Caroline	219	31,465	11.26%
Carroll	354	41,694	14.93%
Cecil	93	14,079	5.04%
Charles	35	5,671	2.03%
Dorchester	81	13,431	4.80%
Frederick	120	18,686	6.69%
Garrett	49	6,238	2.23%
Harford	124	13,251	4.74%
Howard	31	3,970	1.42%
Kent	88	16,551	5.93%
Montgomery	28	4,434	1.59%
Prince George's	13	1,211	0.43%
Queen Anne's	154	25,485	9.12%
St. Mary's	99	10,469	3.75%
Somerset	38	4,682	1.68%
Talbot	68	10,784	3.86%
Washington	75	12,409	4.44%
Wicomico	52	6,517	2.33%
Worcester	39	6,214	2.24%
TOTALS	2,043	279,223	100%

Easement Acquisition – FY 2011

In an effort to capture the true ‘acquisition’ data, unlike with the previous Annual Reports, this section will provide information for easements that went to settlement between July 1, 2010 and June 30, 2011 (FY 2011). For the combined 2011/12 easement acquisition cycle, offers did not begin until June, 2011 and settlements began in FY 2012. These acquisitions will be captured in the FY 2012 Annual Report.

The updated total number of acres purchased as of June 30, 2011, was 279,223 acres, covering 2,043 individual properties. For the FY 2011 easement acquisition cycle, the Foundation received a 200 applications covering 23,252 acres in 21 of the 23 counties. Only Calvert and Howard Counties did not submit any applications. As of June 30, 2011, nineteen offers in nine counties had been extended. These nineteen offers cover over 2,071 acres at a cost of over \$10.8 million. The remaining FY 2011 offers will be extended in FY 2012 and will be reported in that year’s Annual Report.

The average size of farms that settled during FY 2011 was approximately 147 acres, up from an average of 127 acres in FY 2009.

Average Size of Protected Farms
(FYs 2002-2011)

Fiscal Year	New Easements	New Easement Acreage	Average Farm Size
2002	139	19,396	140
2003	177	22,757	129
2004	117	12,981	111
2005	33	3,951	120
2006	58	6,905	119
2007	61	8,304	136
2008	106	13,894	131
2009	78	9,885	127
2010	60	7,152	119
2011	28	4,108	147
Totals	857	109,333	

The average per acre acquisition cost peaked in FY 2009 and has declined marginally to just above the FY 2007 level; average easement values have also declined. For properties that settled during the FY 2011 period, the per acre acquisition costs declined to \$5,633, down from \$6,880 in FY 2009.

High offers as a percentage of fair market value continues to be an issue for the Foundation. Cecil, Charles, Frederick, Harford, Montgomery, Prince George’s, St. Mary’s, and Washington Counties all had offers greater than 80% of the appraised fair market value. Dorchester, Queen Anne’s and Wicomico Counties each had offers that were less than 40% of the appraised fair market value. Carroll and Harford (beginning FY 2011) Counties have imposed a cap of 70% of the fair market value, while Frederick County’s cap is 80%. The Foundation’s Board of Trustees has appointed a Committee to again study the easement valuation and it is anticipated that they will make a recommendation to the Board in FY 2012.

**MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION
EASEMENT SETTLEMENTS – FY 2011**

COUNTY	NUMBER OF EASEMENTS	TOTAL NUMBER OF ACRES	ACQUISITION COST		AVERAGE FARM SIZE IN ACRES
			AVERAGE PER ACRE	TOTAL	
Allegany					
Anne Arundel					
Baltimore					
Calvert					
Caroline	3	787	\$2,793	\$2,175,117	262
Carroll					
Cecil	2	267	8,402	2,195,837	133
Charles	1	101	7,282	735,752	101
Dorchester	3	622	3,474	2,026,990	207
Frederick	1	249	9,602	2,394,400	249
Garrett	1	136	2,482	336,498	136
Harford	1	81	11,910	959,154	81
Howard					
Kent	1	324	3,691	1,197,229	324
Montgomery	1	98	7,140	703,177	98
Prince George's	1	160	8,461	1,355,089	160
Queen Anne's	1	26	3,026	80,018	26
St. Mary's	5	347	9,876	4,171,651	69
Somerset					
Talbot					
Washington	4	521	6,325	3,306,085	130
Wicomico	2	177	3,470	614,450	88
Worcester	1	212	4,140	876,341	211
TOTALS	28	4,108	\$5,629	\$23,127,788	147

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MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION

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<p>Eugene B. Roberts, Jr. 4700 Old Crain Highway Upper Marlboro, MD 20772 Agriculture Commission representative Appointed: 2011</p>	<p>John W. Draper, Jr. 1531 Ruthsburg Road Centreville, MD 21617 Farm Bureau representative Appointed: 2007</p>	<p>Bernard L. Jones, Sr. D1043 Western Chapel Road Westminster, MD 21157 At-large representative Appointed: 2009</p>
<p>Donald T. Moore 2677 Telegraph Road North East, MD 21901 Maryland Grange representative Appointed: 2009</p>	<p>James B. Norris, Jr. 23678 Hurry Road Chaptico, MD 20621 At-large representative Appointed: 2008</p>	<p>Jonathan Quinn 445 Church Road Warwick, MD 21912 At-large representative Appointed: 2008</p>

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Carol West, Acting Executive Director effective February 14, 2011
 Diane Chasse, Administrator
 Deb Vaughan, Administrator
 Michelle Cable, Administrator
 Kim Hoxter, Administrative Officer
 Rama Dilip, Administrative Specialist
 Angela Miller, Foundation Secretary

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<p>(08) CHARLES Samuel F. Swann III Post Office Box 326 Newburg, MD 20664</p>	<p>(16) PRINCE GEORGE'S Sidney Tucker 11900 Croom Road Upper Marlboro MD 20772</p>	

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