



**Market Based Conservation Initiative
Frequently Asked Questions
UPDATED 040213**

What is a reverse auction bid process?

A reverse auction process is where the landowner decides the monetary value they are willing to accept to enter into a contract that places limited restrictions on their land and the market determines the lowest bid that is generally acceptable to landowners. The landowner will also determine the length of the time they are willing to place a contract on the property and the market determines the longest acceptable period at a specific bid range. In MBCI, each landowner submits a bid including price, acreage, and term of contract. Once all of the bids are accepted, they are evaluated and ranked against each other. The most favorable bids are awarded a contract. Those not awarded can re-bid during the next bid round. During the pilot each landowner will be given at least two opportunities to place a bid.

Why is the program not set up to quote a price per acre for the landowner?

The Conservation Reserve Program (CRP), a USDA Farm Bill program offered through Farm Service Agency, used the reverse auction bid process to determine price rates. Initially, landowner contract amounts were established through landowner bids. After a couple years, the market settled out and the price per acre could be determined and was then uniformly set at the county level based on soil rental rates. Since there are no other programs similar to MBCI that have determined the optimum price for the landowner and the program, it is necessary to use the reverse auction bid process to determine that value.

Why not just use the county level values for CRP (Conservation Reserve Program, USDA Farm Bill)?

The programs are too different. By conducting a reserve auction, it will establish a market for this specific program and the necessary requirements. The market, in the long term, will likely allow the MBCI to set a specific price per acreage per length of contract. In the Conservation Reserve Program, a landowner places his land in a conservation use (i.e. grass or trees) and forgoes agricultural income from the acreage. Under the Conservation Reserve Program the landowner is being compensated for lost agricultural income. In addition, at other times the landowner is required to do specific management practices, which is an additional cost to the landowner. Under MBCI, the landowner continues to generate income from agriculture or forestry and the MBCI payment is additional income.

Why would I want to enter into a contract with the Government?

The contract is actually not between the landowner and the Government. Each Landowner will be given the opportunity to enter into a contract with the NC Foundation for Soil and Water Conservation, a nonprofit organization overseen by a Board of Directors that is managing the government funding for this program. To learn more about the Foundation visit <http://www.ncfoundationforsoilandwater.org/>.

What will happen in future years with government budget cuts?

The Foundation will obtain the funds necessary to pay the landowner for the entire length of the contract. The Foundation WILL NOT sign a contract with a landowner until contract funds are secure, placed in escrow, and under the management of the Foundation.

Who is the Foundation for Soil and Water Conservation?

The Foundation was created by local soil and water districts to support and promote district programs. The Foundation targets nontraditional and private dollars to enhance current programs and test out pilots. The Foundation is overseen by a Board of Directors including the following members;

Agriculture Commissioner Steve Troxler <http://www.ncagr.gov/index.htm>

NC Farm Bureau President Mr. Larry Wooten <http://www.ncfb.org/>

NC Rural Development Center Director Mr. Billy Ray Hall <http://www.ncruralcenter.org/>

NC State Grange President Jimmy Gentry <http://www.ncgrange.com/>

Representatives from the following entities;

Duke Energy <http://www.duke-energy.com/company.asp>

NC Electric Cooperatives <http://www.ncemcs.com/>

Cape Fear Farm Credit <http://www.capefearfarmcredit.com/loan-home.asp>

Carolina Farm Credit <http://www.carolinafarmcredit.com/cfc3/index.asp>

Murphy Brown <http://www.murphybrownllc.com/>

Harvey Fertilizer and Gas

Six soil and water conservation district supervisors from across the state that are private landowners.

Who helped to establish the Market Based Conservation Initiative?

Many entities contributed to the development of the initiative. The effort was led by Farm Bureau, Department of Agriculture and Consumer Services, NC State University, the NC Forestry Association and US Marine Corps.

Will other flight paths be added to the program?

Once success is proven with the first flight path and special use airspace, it is anticipated that other flight paths, special use airspaces, and other appropriate lands may be added. The current flight path and special use airspace was selected because it is used by all branches of the armed services and allows them to conduct land to sea training. This flight path and special use airspace also crosses a large geographic area with a good mix of urban to rural land uses underlying it. It also crosses a strong agricultural and forestry community when input can be gained from a large mix of landowners.

Why do I have to enroll in the Present Use Value Tax Program (PUV)?

If you are a private landowner using your property for agriculture or forestry production, it is to your financial benefit to enroll in PUV and it is an indication of your intent to keep your land in horticulture, agriculture, and forestry production or wildlife management. PUV is a deferred tax program where the county recognizes that ag/forestry properties do not use as many community services such as 911 or public schools as more urban properties. The county forgoes taxes to support agriculture and forestry. These same land uses are compatible with the goals and objectives of MBCI. It is important to demonstrate the value of these deferred taxes to the federal partners that are supporting MBCI. The difference in highest and best use property value to PUV value will be used as leverage to the federal funds provided for landowner contracts.

Why do I have to have a land management plan?

It is a requirement for enrollment in PUV. The program is being delivered through local soil and water conservation districts that promote proper management of natural resources. A plan is not something set in stone, it gives a landowner options on good management decisions so that the property's natural resources are sustained into the future. For the most part, plan requirements match plan requirements for PUV.

Will different land types be priced differently?

The land will be priced at what the market will bear and land type will be evaluated in the ranking process. In later years, after the pilot, there may be a set price per land usage. That will be determined based on the results of the pilot.

If we are entering into a contract, why do you require a Declaration of Restrictions to be attached to the Deed? (Why does the contract bind the land and not just the landowner as in other Farm Bill programs?)

Military partners have traditionally worked in the real estate world with permanent conservation easements. It was a requirement put in place to ensure that the restrictions survive from one landowner to the next and to protect the federal government's investments in the program. Part of the pilot is to test the need for this documentation tool.

Will training use stay the same?

The military has determined it is important to protect this specific training route for the next 30 years. Remember it has been in use for the last 50 years. As troops are sent to foreign soil and then return, the training patterns and volume may fluctuate. Enrollment into this program does not affect fluctuations in trainings, this will occur whether you choose to enroll your property or not.

Do we need a DUNS number?

No, you only need a social security number or a business tax id number. These numbers are needed because of the requirement for the Foundation to issue an IRS 1099 each year based on the annual payment that was processed.

Do we have to enroll our entire property or can we enroll part of our property?

Enrollment is based on your tax parcel and what acreage lies directly under the MTR. If all acreage in the tax parcel is under the MTR and is offered the application will rank higher during the contract selection process than if only a portion of the eligible acreage was offered. If you enroll the entire property (if it is comprised of multiple tax parcels all located under the MTR) you will rank even higher.

Do we have the right to build a home for a child at a later date?

Yes, building a single family resident for a child is allowed but will need to be considered on a case by case basis. If acreage is broken out of the parent tract for the house and is deeded to another person, that acreage will have to be deleted from the MBCI contract as it will no longer be eligible for enrollment in PUV. The Declaration of Restrictions, mirroring all contract requirements, will follow the newly formed parcel for the life of the contract.

Can you carve out acreage for a house?

If acreage is broken out of the parent tract for the house, that acreage may no longer qualify for PUV. If the acreage does not qualify for PUV, it will have to be deleted from the MBCI contract. The Declaration of Restrictions, mirroring all contract requirements, will follow the newly formed parcel for the life of the contract.

Will the height of 100 feet be lowered at a later date?

No, contract restrictions will not change for the life of the contract. If there is an opportunity to consider alternatives, the landowner will be given an opportunity to offer a different bid amount to compensate for additional restrictions. No changes will be made to the contract and declaration of restrictions without being agreed upon by the landowner.

Does the contract follow the land?

No, but the required Declaration of Restrictions follows the land and is recorded at the local courthouse. The Declaration of Restrictions will provide a legal mechanism to enforce the contract restrictions for the duration of the initially agreed upon contract term regardless of who owns the land. In order for a new landowner to receive the annual payments for the remainder of the contract life, the new landowner will need to sign a new contract with the Foundation for the years remaining in the original contract and agree to the at the same dollar value amount.

What are the total funds available?

The Foundation has access to \$2,000,000 for landowner contract funds and due diligence costs. A commitment was made by our federal partners to provide two additional years of funding for a total of \$6,000,000.

Will Christmas lights be prohibited?

If the lights are normal low intensity lights, they will be allowed. The restriction is focused on upward shining lights that would negatively affect night vision training such as lighting on a billboard.

Can I sell the land and what does that mean for the new landowner?

Enrolled land can be sold at any point. Upon sale, the original contract would become void. The seller is required to notify the Foundation that the property has been sold. The Foundation will offer the remaining terms of the contract to the new landowner. This will likely be viewed as a positive attribute to the property in that a guaranteed revenue stream can be received for a set period of time. If the new landowner does not want to take over the remainder of the contract, they will still be required to follow the Declaration of Restrictions without receiving any benefit.

Since we don't know if this will turn into a real program, why not allow for the landowner to opt out at the end of the pilot?

The purpose of the pilot is to determine if landowners are willing to place specific restrictions on their property by entering into long term contracts to keep their land in agriculture and forestry production and the level of compensation appropriate for the restrictions. The concept can be determined during the three years of the pilot, but it will take many years to determine the overall success for the initiative in terms of acreage protected and landowners involved. If landowners can opt out after a short pilot, the long term success of the initiative will never be determined.

If I pool my bid together with my neighbors do we all have to offer the same price?

Yes, all landowners in a pooled bid must agree to a set price per acre and a set contract length.