

MINUTES OF THE
CURRENT USE BOARD

Approved as written

DATE: October 24, 2017

LOCATION: Department of Revenue Administration – Training Room, 109 Pleasant Street, Concord, NH

BOARD MEMBERS:

Senator Ruth Ward

Representative Jim Belanger

Stephan Hamilton, Chairman, *Commissioner Designee, NHDRA*

Jon Wraith, *Dean, College of Life Sciences and Agriculture* ~ Excused

Lorraine Merrill, *Commissioner, NH Department of Agriculture, Markets and Food*

Susan Francher, *Commissioner Designee, NH Department of Natural and Cultural Resources, Division of Forests and Lands*

Barbara Richter, *NH Conservation Commission*

Lindsay Webb, *Commissioner Designee, NH Fish & Game*

Dave McMullen, *Assessing Official, City* ~ Excused

Andrea Lewy, *Assessing Official, Population >5,000*

Norm Bernaiche, *Assessing Official, Population <5,000*

Susan Bryant-Kimball, *Forest Landowner*

Tom Thomson, *Public Member* ~ Excused

Chuck Souther, *Public Member, Agriculture*

MEMBERS of the PUBLIC:

Jonathan Horton, Division of Forests and Lands

Mr. Hamilton convened the regular meeting of the Current Use Board at 9:30 a.m.

Minutes

Senator Ward *motioned to accept the minutes of September 8, 2017*. Commissioner Merrill *seconded the motion*. No discussion. Mr. Hamilton called the motion to approve the minutes of September 8, 2017, as written. Representative Belanger and Mr. Souther abstained. *All others approved*.

Withdrawal of 2017 Assessment Ranges

Mr. Hamilton explained this was an issue discussed at length at the September 8, meeting and with board approval, he submitted a letter to JLCAR requesting to withdraw the proposal for the 2017 Assessment Ranges which had been approved with an effective date of April 1, 2018.

Proposed 2018 Forestland Assessment Ranges

Ms. Francher briefly explained the handouts illustrating the forestry model outputs as well as the supporting documents for stumpage prices, growth rates, discount rates and the changes over prior year numbers. The gradual increase from 2015 is generally due to an increase in prices. She noted the analysis provided by Mr. Dickman (*Page 2 of memo*) illustrates the changes from 2016 (*last adopted ranges*) to the 2018 proposed ranges. The legal-sized handout represents the annual trend including the 17-18 rates that were not adopted in 2017.

Ms. Francher summarized the proposed assessment ranges recommended by the forestry committee to go out to the public forums:

<u>Forestland</u>		<u>Forestland with Documented Stewardship</u>	
White pine	\$118 - \$177 per acre	White pine	\$71 - \$106 per acre
Hardwood	\$54 - \$81 per acre	Hardwood	\$33 - \$49 per acre
All other	\$37 - \$56 per acre	All other	\$22 - \$34 per acre

The forestry committee discussed some concerns about using the 5-year rolling average for the timber value inputs used in the model. Understanding the purpose of the 5-year rolling average is to eliminate volatility; the sense of the committee is that the model does not immediately respond to timber price increases and decreases. The other issue is that the model uses price per cord rather than price per ton and a conversion has to be completed to fully understand the outputs. The committee encourages the board to review the 5-year policy for timber values used as input into the model and consider a 3-year policy.

In addition, the committee suggests looking at how the averages are calculated. The intent is to develop a state-wide number to input into the model however the numbers being used are coming in a variety of ways. For example, the DRA provides an average high and low and a median for each of the three regions (north, central and south) which are then weighted based on the volume of product in those regions and then a state average is calculated. It would be helpful to understand how the calculation works; are the data points from the high or low end; are the groupings tight or loose and what that would mean. Ms. Francher suggested based on thoughts expressed by Mr. Stock and Mr. Thomson at the last meeting, the model may need to be more responsive. She added that the impact of the pulp markets may have less impact on the assessment rates than stumpage prices and if a 3-year average were used, it may better reflect the drop in stumpage and more accurately reflect current increases in hardwood value. She feels the 3-year average would be worth looking at.

Mr. Hamilton briefly explained some of the complexity within the model that relates to determining the percentage of a product that is going to be found and harvested from the total of all land in the all other categories in the state. He added the good thing about the 5-year average is that it evens out the variable inputs that in the past have caused widely varying outputs and it stabilizes and moderates those types of changes from year-to-year; the bad thing is that it evens things out and slows down the progression of change. He stated the board should be prepared to hear about this potential impact at the forums. Another thing to be aware of and to think about is the declining market for white pine pulp and the potential cost and expense impact it may have as well as how it may influence the model.

Ms. Francher summarized the change in calculating the forestland with documented stewardship ranges by using a 40% reduction of the forestland categories to standardize the delta between the two categories. Mr. Hamilton commended the subcommittee on their work and for the idea of the 40% reduction which has simplified the valuation process allowing for the estimation of one set of values for each category.

Ms. Francher ***motioned to bring the following proposed assessment ranges for 2018 for forestland and forestland with documented stewardship for the white pine, hardwood and all other categories based on the forestry model output:***

<u>Forestland</u>		<u>Forestland with Documented Stewardship</u>	
White pine	\$118 - \$177 per acre	White pine	\$71 - \$106 per acre
Hardwood	\$54 - \$81 per acre	Hardwood	\$33 - \$49 per acre
All other	\$37 - \$56 per acre	All other	\$22 - \$34 per acre

Mr. Bernaiche ***seconded the motion***. No discussion. Mr. Hamilton called the motion to bring the proposed assessment ranges for 2018 to the public forums. ***All approved.***

Farmland Assessment Ranges

Commissioner Merrill distributed a memo and a handout prepared by Mike Sciabarrasi from the UNH Cooperative Extension with the numbers for the formula for this year including a 10-year history. They are recommending the farmland assessment range remain at \$25-\$425 per acre. She explained Mr. Sciabarrasi, now retired, came back to help prepare the information this year as his position has not yet been filled. Once filled, the new person will update the formula which at this time under accounts for labor costs due to increases over time and other shifts.

Commissioner Merrill explained the formula is based on corn silage and hay crop prices and costs as they are the two biggest acreage crops grown consistently across all 10 counties. There are no considerations for changes in weather conditions which are inconsistent from year-to-year and county-to-county; therefore it is helpful to keep the ranges stable. Fuel and fertilizer costs remain on the lower side due to petroleum influences and corn silage prices are influenced by the national and international markets which are based on USDA's national agriculture statistics service.

Products produced by NH farms are mainly sold within local and regional markets however some do get into the national markets. Farmland is most threatened by development because it is the easiest and least expensive to develop. The American Farmland Trust has ranked NH as a top five state for the percentage of farmland that has been converted to development.

A brief explanation of how placement in the farmland range typically occurs which includes consideration for the productive capability of the land and the soil potential index (SPI) which is determined by County Conservation Districts and RCS. Once SPI is determined, it is applied to the range.

Commissioner Merrill *motioned to recommend a range of \$25-\$425 per acre for the Farmland Assessment Range for 2018.* Ms. Lewy *seconded the motion.* No discussion. Mr. Hamilton called the motion. *All approved.*

Mr. Hamilton acknowledged the review of the farmland model is going to be a large undertaking and once Mr. Sciabarrasi's position has been filled, that would be a good time to invite UNH Cooperative Extension and other appraisers in to try and make sure we understand the economics and inputs of the model, what the outputs mean and be able to find the best corrections or changes that may or may not be needed.

Proposed Wetland and Unproductive Ranges

The law directs the board to utilize the lowest available range in the forest land category for the wetland and unproductive assessment ranges. Ms. Francher *motioned to set the wetland and unproductive category values at \$22 per acre.* Ms. Lewy *seconded the motion.* No discussion. Mr. Hamilton called the motion. *All approved.*

Public Forum Dates and Locations

Wednesday, November 8, 2017 at 6:00 p.m. at the North Country Resource Center,
629B Main Street, Lancaster NH 03584

Monday, November 13, 2017 at 6:00 p.m. at the Claremont Savings Bank Community Center - Room B
152 South Street, Claremont NH 03743

Friday, November 17, 2017 at 9:30 a.m. at Department of Revenue Administration
109 Pleasant Street, Concord NH 03302
Followed immediately by a Regular Board Meeting

Other Business

A lengthy discussion took place about concern that has been received pertaining to land enrolled in the current use program that subsequently has an easement placed on the property which limits or restricts the development rights. Mr. Hamilton summarized that once land is placed into current use it is an irrevocable decision and may only be removed for a disqualifying event such as development, a subdivision that results in acreage less than the 10-acre requirement or a density requirement for a cluster or condominium development. The tax benefit of the current use program is for landowners who are willing to make that perpetual commitment to open space.

The concern pertains to an easement which buys the development rights on a parcel of land enrolled in the current use program. The belief is that the municipality is losing out on a land use change tax at some point in the future if this other development restriction is put in place. Mr. Bernaiche stated this restriction could pertain to any piece of land, enrolled in current use or not. Towns are not being cheated out of tax dollars; it is the right an owner. Mr. Hamilton added there are other restrictive easements that could have this perceived effect as well. Ms. Richter suggested the presentation given at the forums include an explanation of the economic benefits of open space such as no cost to maintain it compared to the costs of community services required for developed property.

Mr. Hamilton explained the confusion lies as to where the benefit of taxation occurs. The largest benefit that has been granted in the last 100 years is not the current use program; it is the exemption of the value of standing timber from property taxes when a timber tax on the yield of trees as they are harvested. In many parts of this state, there is very little economic use of the land other than to consider the value of growing timber. A discussion followed pertaining to inquiries about development and how various types of property in current use are assessed.

Administrative Rules Status

Ms. Bryant-Kimball asked about the status of the other rules in process. Mr. Hamilton stated he is responding to further requests pertaining to the fiscal impact statements for the rules. He anticipates they will be joined with the new assessment ranges in rulemaking for the coming session. The plan is to have everything completed and be able to update and publish the current use booklet for April 1, 2018.

Commissioner Merrill *motioned to adjourn*. Mr. Bernaiche *seconded the motion*.

Mr. Hamilton adjourned the meeting at 10:53 a.m.

Respectfully Submitted, Stephanie Derosier
NH Department of Revenue Administration – Municipal and Property Division

Documentation relative to the Current Use Board may be submitted, requested or reviewed by:

Telephone: (603) 230-5955
Facsimile: (603) 230-5947
E-mail: cub@dra.nh.gov
Web: <http://revenue.nh.gov/current-use>

In person at 109 Pleasant Street, Concord
In writing to:
NH Dept of Revenue Administration
Current Use Board
PO Box 487
Concord, NH 03302-0487