

# Environmental Tools:

## Purchase of Development Rights (PDR)

### What is a PDR?

Purchase of development rights (PDR) is a tool that provides a way to financially compensate willing landowners to protect the natural heritage of their land versus undertaking a development project. In a PDR transaction, an entity may purchase and extinguish the development rights from a property owner by purchasing what is often referred to as a conservation easement.<sup>1</sup> The conservation easement restricts residential and commercial developments on the land. The landowner, however, still owns the land and can use or sell the land for purposes specified in the easement.

The value of the development rights on a land parcel is usually determined by the difference in estimated sale price of the property, with a conservation easement in place, from the current market value of the property with its development rights intact, taking into consideration any development restrictions. Independent, professional appraisers are used to determine the values and agreements of PDR, which are negotiated on an individual basis with a given landowner. All private property rights remain intact.

For example, the use of a PDR program can compensate landowners for their willingness to accept a permanent deed restriction on their land that limits its future development for non-agricultural purposes.

### Where are they used?

PDR are used frequently in the United States. At this time, no examples of PDR applications can be found in Canada.

### Lancaster County, Pennsylvania

One of the most successful PDR programs in the United States is seen in [Lancaster County, Pennsylvania](#). This initiative has protected over 45,000 acres of farmland through 529 conservation easements from 1983 to 2003. This level of conservation was achieved during a period of continued economic growth and prosperity.

### State of Washington

In the state of Washington, the [Snohomish County Council](#) approved a motion authorizing the county to implement a Purchase of Development Rights program in February 2006. The PDR program preserves farmland by purchasing the “development rights” of a property from landowners. The value of a development right is the difference in land value between the current agricultural use and the highest and best use of the land. Under the PDR program, the county will purchase the development rights of a property from the landowner, and then place a conservation easement on the property to

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<sup>1</sup> A conservation easement is the legal tool by which the development rights are conveyed. When people refer to “PDR,” they are referring to the purchase and restriction of development rights using a conservation easement, and they are specifying that the development rights are to be paid for rather than donated.

prohibit non-agricultural activities. The property will remain in private ownership and be available for agricultural use.

### **Tool performance:**

#### **Pros**

- For communities, PDR programs are a means to manage growth and provide the benefits of open space without the expense of purchasing, maintaining, and policing publicly owned land. Land preservation can also save communities money in the long run, since development often costs more in public infrastructure and community services than the tax revenue realized by the growth.
- PDR programs recognize that owners of undeveloped land provide valuable amenities to the community. Buying development rights from willing landowners provides a market-driven and compensatory approach to preserving those amenities, and an attractive option or addition to other forms of land management.
- PDR programs are becoming increasingly popular because they offer substantial benefits to both communities and landowners. By selling only their development rights, owners can convert some of the wealth tied up in their land into cash, without relinquishing ownership of the land or use of its productive capacity.
- Participation is completely voluntary.
- All private property rights remain intact.
- The landowner can access a portion of the land equity, while still maintaining ownership and access to certain uses of the land without having to sell it for development.
- Cash from the sale of the development rights can be used for reducing debt, lowering operating costs, improving or expanding farm operations, college educations, retirement, or for any purpose the individual wishes.
- Property taxes and inheritance taxes are based only on the residual agricultural value of the land rather than the full developmental value.
- The landowner can still borrow against the reduced equity in their land. Other states' track records show remaining land retains excellent (and increasing) resale value.

#### **Cons**

- Removing the development rights from land generally reduces its future market value and lower property tax revenues.
- Since a PDR program is voluntary, it is sometimes difficult to protect large areas of sensitive land because a landowner surrounded by other protected areas may not want to sell his or her development rights.
- PDR programs are costly and do not meet the demand from sellers—for every landowner who has participated in a PDR program, there are six more waiting to sell their development rights.

### **Special considerations**

When a landowner sells their development rights, that restriction on development is recorded in a conservation easement, which is attached to the property deed. Thus the restrictions are made permanent, running with the title to the land.

Since PDR programs are flexible, program administrators can customize purchases of development rights to meet the objectives of both landowners and communities.