

## The State of Farm and Land Preservation in Frederick County, Maryland

*An email conversation between Deborah Bowers, Editor and Publisher, Farmland Preservation Report and Rocky Mackintosh, Editor and Publisher, MacRo Report Blog and President of MacRo, Ltd., Land and Commercial Real Estate*

Friday, November 12, 2010 11:33 AM

Hi Rocky, I've read your blog on the residential market forecast. I publish an online newsletter on farmland preservation and I am surveying the real estate markets in the nation's most active farmland preservation counties, which include Frederick. As you know, these programs in Maryland are funded through real estate transfer taxes, so there is a direct link between transactions and preservation activity.

My question to you is: how has the real estate market changed in Frederick County over the last 3-5 years in terms of what type of properties are of interest to developers and builders (if any) and for what type of project?. In particular, are any developers looking at or investing in farmland like they used to? Do you see a 'sea-change' in the desirability of 'raw' land?

That's a big question, I know, and I'm leaving it a little open for you. If you would rather speak on the phone, just let me know and I will call you. Thank you in advance for your time.

Deborah Bowers  
Editor & Publisher  
[Farmland Preservation Report](#)

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On Fri, Nov 12, 2010 at 5:19 PM, Rocky Mackintosh <[rocky@macroltd.com](mailto:rocky@macroltd.com)> wrote:

Deborah

Thanks for reaching out to me on this topic. I've been involved the brokerage, preservation and development of rural land for nearly 40 years, so your questions do resonate with me. you can read all about this on our "land conservation" link at <http://www.macroltd.com/services/land-conservation.html>

The short answers to your three questions are: ***Dramatically, No and Yes.***

Let me elaborate on each:

***How has the real estate market changed in Frederick County over the last 3-5 years in terms of what type of properties are of interest to developers and builders (if any) and for what type of project?***

The last 5 years in the land market in our area (probably similar to others) has been impacted by two very strong and often opposing forces: Politics and Economics.

With what seemed to many as a very strong sustainable economic climate in 2005 our local county government generally operated under what I would consider a moderate growth philosophy for residential development. With very strong consumer demand it was keeping pace at a historical rate of around 2,200 housing units per year.

A strong adequate public facilities ordinance had taken root by then to keep this growth under control. While this APFO has been one of the most restrictive in the state, the offsetting factor was that the economy was raging along at such a pace that the severity of the ordinance was masked.

In the land preservation area, the county and the state had enough tax dollars flowing in to allow our well established county offices to be reasonably aggressive in developing new and creative programs for acquiring easements. So while the agricultural community still had its struggles on finding new ways to make a profit, these programs offered financial relief. Land prices were strong enough to provide them with the opportunity to tap into the resources that selling easements provided.

And this brings to light an important observation that I have witnessed many times over the last 10 to 15 years of consulting with and assisting farmers: *It is that given their druthers, while many members of the ag community have filed for preservation dollars, I have found that most of those who do so would rather not encumber their land with such easements – but as stated it really comes down to a financial need that they have to assist them in preserving their business and way of life.*

Now don't get me wrong with that statement, as I feel strongly that there is an important place for conservation and ag preservation easements in our society, so that future generations can enjoy what we have today as well as preserve wildlife habitats, manage pollution, runoff, etc. But I am digressing from the core of the question!

So 2005 was generally a balanced and symbiotic year for preservation and development in Frederick County.

The 2006 election swept in a majority of county government leaders who brought in a strong anti-growth ideology. New regulations and moratoria were put into place that made the development business much riskier compared to other regional jurisdictions, and overall the general business community began to experience an unfriendly environment in the planning, zoning and permitting arena.

All of this permeated through government regulations, staff and appointed positions to where those who typically might seek long term investments in well located real estate felt that they could not rely on what might be considered planned growth area.

Then as 2007 settled in and the development community licked their wounds from the crash in all sectors the real estate market, interest in raw land in general dried up. This brought about a significant drop in the value of what few development rights are allowed in Frederick County ag zoned land. Where a perked 2 acre rural lot may have sold for \$350,000 in 2005, today it may sell for \$165,000 or less. In some cases the cost of developing lots exceeds the combined gross value of the finished lots it creates.

The good news that we are finding is that while rural lots have been decreasing at a rate of one percent per month for the last few years, farm and rural land values while value has been, this segment has fared much better. But with the drop in the value of development rights, the margin between farm value and those rights is much narrower.

When you combine this with the fact that county coffers have less funding available to acquire local ag easements, it makes the program less attractive; however as the ag community continues to seek the means to bridge these difficult economic times, they will still seek what ever they can get out of these programs.

To sum up, the political and economic environment in many ways may not be that much different in Frederick County than elsewhere. However while we may have experienced what I would call being on the extreme edge of some regulatory issues, in the end the economy has negatively impacted the land markets.

A footnote here is that our local county government elections just voted in a slate of new commissioners who have vowed to make Frederick County a more business friendly environment and will seek to attract new investment in the community, so as to bolster the job market. While I think that they will keep the core of the existing regulations in place, I see a reasonable amount of tweaking so as to change the culture that has scared businesses and investors away from our community.

**In particular, are any developers looking at or investing in farmland like they used to?**

As stated the answer here is NO, and I think that I have answered this elsewhere.

**Do you see a 'sea-change' in the desirability of 'raw' land?**

In my opinion the “sea-change” has already occurred. Presently the raw “rural” land market is not attractive to the development community ... most now will only seek land that is zoned, and will go even further and not actually make the purchase until the approval of an unconditional site plan is achieved along with all site improvement drawing are ready to record so that ground can be broken.

We are seeing that most serious investors who buy well located “raw” land for the long term will only make such acquisitions if they can purchase at figures that are below 30% of fair market value. These guys are affectionately known as “Bottom Feeders” and while you’ll find them in all economic cycles, they are very prevalent today.

With all this gloom and doom discussion, I think it is important to note that for the long haul – five to ten years out – I am very optimistic for future of the real estate market in Frederick County! Geographically we are located on the edge of two major metropolitan areas and Frederick City is the confluence of I-70 and I-270 interstate highways. In a sense we are the mid-Atlantic gateway to the west. And while we are a significant bedroom community of those metro areas, we have a thriving business community and very viable downtown.

This all bodes well for our future and with the proper planning fiscal management by our local governments we will likely come out this current recessionary period a much stronger community.

*P.S. I think that these are great questions and plan to take this and post it on my blog for next week ... I’ll insert a link to your site and if you do plan on posting my responses on your blog, I ask that you do the same for me using [www.macroreportblog.com](http://www.macroreportblog.com)*

*Thanks again... and have a nice weekend!*

Rocky Mackintosh

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Monday, November 15, 2010 10:46 AM

Rocky

Thank you for your detailed and insightful response, Rocky - I appreciate your time. Yes, I will provide a link to your site when I publish the piece.

I have one follow-up question. You talk about the effect of the regulatory environment in 2006 being a problem for investment in raw land - isn't it possible that the 'anti-growth' commissioners you speak of may have saved some investors from even greater losses in 2007 and after?

Thanks again for additional insights on the above.

Deborah

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Mon, Nov 15, 2010 at 1:05 PM, Rocky Mackintosh <[rocky@macroltd.com](mailto:rocky@macroltd.com)> wrote:

Deborah

Interesting question you raise regarding government's policies possibly saving "some investors from even greater losses in 2007 and after." My response is that first off I don't see government's role as being one where they set up policies to protect real estate investors from their speculative decisions in land purchases, and secondly I'm sure that when these policies were put in place they were not thinking that this kind of safety net was one of their goals. In the end financial decisions of real estate investors, as well as that of government went too far and got caught up in the zoom times of the first half of the last decade ... so now both groups are working through difficult decisions to deal with the new reality that this economy has given them.

On another note of clarification ... the "strong anti-growth" ideology that was swept in with the 2006 election, had always been there, but once it gained a majority the screws were tightened that much more.

Thanks again for reaching out.

Best wishes

[Rocky Mackintosh](#)