Agricultural Lease Policy

Item Number 40
November 10, 2011

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District Agricultural Lease Program

- **Goal:**
  - Provide for management of land acquired for water management purposes or restoration prior to project implementation

- **Benefits:**
  - Water resource protection
    - Floodplain management, e.g. Kissimmee
    - Aquifer recharge
    - Exotic and nuisance vegetation control
  - Generates interim revenue for the District
  - Generates taxes and assessments
  - Utilizes ranchers as experienced land stewards
  - Implements best management practices

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Background on Lease Policy

December 2002: Audit of land management program (Audit #02-21)

- Goal: Verify adequate system controls over lease terms and conditions, including lease revenue cycle, leaseback renewals, lease monitoring procedures

November 2003: Governing Board adopts District's first agricultural lease policy to assist in administering leases on interim lands. Includes provisions:

- Achieve fair market value
- Retain flexibility in lease terms
- Escalation rates
- Criteria for renewals
- Use of Request for Bids
- Lessees liability for taxes and assessments
- Coordination of lease expiration with harvest period

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Background (continued)

September 2005: Policy amended to provide further guidance

- Extend good tenants until projects are needed while keeping pricing competitive
- Providing for a place for exceptions through the Land Resources Committee
- Avoid taking lease amendments back to other committees
- Keeping language simple to understand
- Maintaining a level of flexibility

March 2006: Governing Board delegates to Executive Director authority to approve renewals that are consistent with lease policy

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Background (continued)

September 2010: Governing Board amends policy to provide for appraisal prior to each renewal and establishes annual adjustment based on Consumer Price Index (CPI) or Agricultural Commodity Index

March 2011: Leases to be presented to Projects and Land Committee six months prior to expiration for consideration of extension

Current Leased Lands

- **Total District Lands:** 1,427,682 acres*
  - Fee: 756,921 acres
  - Easement: 670,761 acres
- **Total Leased Acreage:** 129,011 acres
  - Leases: 122,128 acres (~100 leases)
  - Management Agreements: 5,018 acres
  - Reservations: 1,865 acres
  - **Leased acres as a % of fee total: 17%**

**Includes Water Conservation Areas*

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Current Leased Lands

Lease Type	Acres	Revenue ($)
Cattle	73,214	636,832
Crops	27,010	2,937,068
Citrus	23,323	153,353
Other	5,464	560,211
Total	**129,011**	**$4,287,464**

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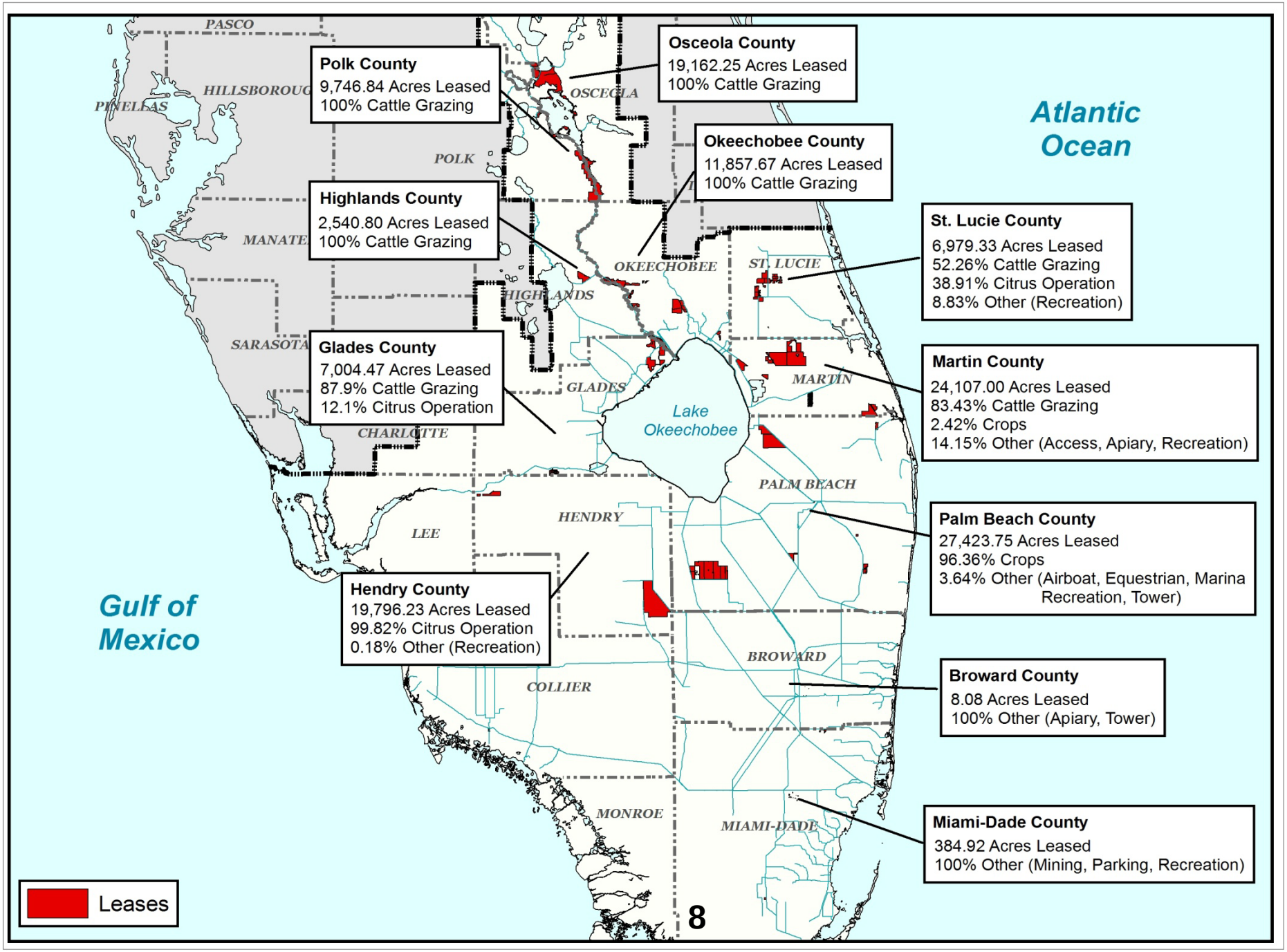
Atlantic Ocean
Gulf of Mexico
PASCO
HILLSBOROUGH
PINELLAS
POLK
MANATEE
SARASOTA
CHARLOTTE
LEE
HENDRY
GLADES
HIGHLANDS
OSCEOLA
OKEECHOBEE
ST. LUCIE
MARTIN
PALM BEACH
BROWARD
COLLIER
MONROE
MIAMI-DADE
Lake Okeechobee
Polk County
9,746.84 Acres Leased
100% Cattle Grazing
Osceola County
19,162.25 Acres Leased
100% Cattle Grazing
Okeechobee County
11,857.67 Acres Leased
100% Cattle Grazing
Highlands County
2,540.80 Acres Leased
100% Cattle Grazing
St. Lucie County
6,979.33 Acres Leased
52.26% Cattle Grazing
38.91% Citrus Operation
8.83% Other (Recreation)
Glades County
7,004.47 Acres Leased
87.9% Cattle Grazing
12.1% Citrus Operation
Martin County
24,107.00 Acres Leased
83.43% Cattle Grazing
2.42% Crops
14.15% Other (Access, Apiary, Recreation)
Palm Beach County
27,423.75 Acres Leased
96.36% Crops
3.64% Other (Airboat, Equestrian, Marina Recreation, Tower)
Hendry County
19,796.23 Acres Leased
99.82% Citrus Operation
0.18% Other (Recreation)
Broward County
8.08 Acres Leased
100% Other (Apiary, Tower)
Miami-Dade County
384.92 Acres Leased
100% Other (Mining, Parking, Recreation)
Leases

Current Lease Process

- **New leases:** Competitive minimum bid amount established by District appraiser
- **Renewals:** Independent, licensed appraiser utilized to establish market rent
- Annual Adjustment based on CPI/Ag Commodity Index for remaining lease term
- Lease compliance inspections conducted every six months
  - BMPs, carrying capacity, land condition, etc.
- Lease revenue used to support land management programs on all District lands

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Current Valuation Basis

- **Cattle**
  - Based on Animal Units – not per acre
  - NRCS/FDACS/SFWMD determine land carrying capacity
  - Typically, 1 Animal Unit (cow/calf) per 6 acres

- **Crops/Citrus**
  - Per Acre Valuation
  - Based on soil type/location
  - Citrus varieties/tree quality

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Policy Considerations

140.10 Administration of Agricultural Leases

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Definition of Lease Terms

Leaseback/Reservation

Where a seller reserves a right such as use and occupancy of the property usually for a specific term. Consideration can be in the form of a reduction in the purchase price or periodic payments made during the reservation period

Assignment

Transfer of rights and obligations from one party to another

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Administration of Agricultural Leases

	POLICY AREA	CURRENT	PROPOSED
140-10(1)	**New Leases, Reservations, Assignments, Leasebacks**		
140-10(1)(b)	*Rent*	Amount of rent based on appraisal or competitive bid.	Amount of rent based on appraisal or competitive bid, which shall have a minimum bid established by the District appraiser.
140-10(1)(c)	*Length of Lease Terms*	Lease terms consistent with crop cycles.	Lease terms shall be 5 years for cattle with one 5-year renewal option at lessee's discretion; and 5 years for all other leases; exceptions to be approved by the Governing Board.
140-10(1)(d)		Lease term length should extend to date of project certification.	All leases shall be competitively bid upon expiration, as set forth above; exceptions shall require Waiver of Competition and Governing Board approval.

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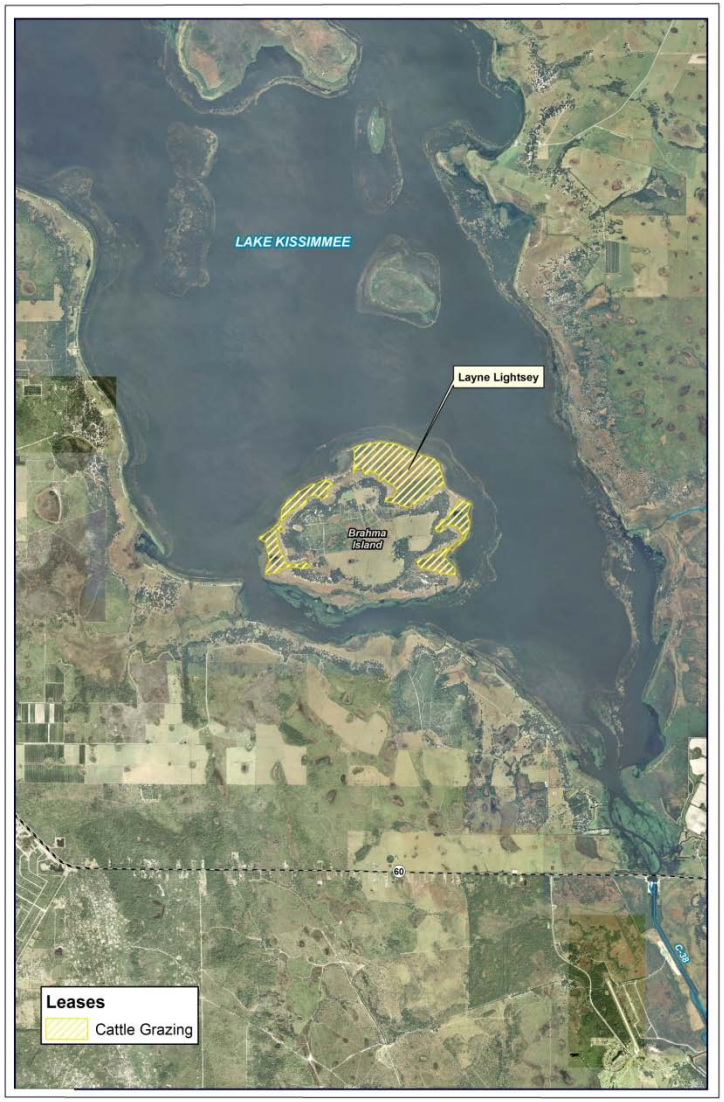
Waivers of Competition
Examples

- Access to property
- External partners
- Reservations/pre-existing contract conditions
- Technical requirements



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Administration of Agricultural Leases (continued)

	POLICY AREA	CURRENT	PROPOSED
140-10(1)	**New Leases, Reservations, Assignments, Leasebacks (cont'd)**		
140-10(1)(e)	*Competition*	Leases shall be competitively bid when time permits. Where competition is not possible, a Waiver of Competition will be approved by the Governing Board.	In accordance with District procurement policy, where competition is not possible, the Governing Board may approve a Waiver of Competition.
140-10(1)(f)			Upon term expiration of original lease, any reservation or assigned lease assumed as part of a land acquisition shall be competitively bid.
140-10(1)(g)	*Public Noticing*		All leases, including extensions and/or renewals of existing leases, shall be noticed pursuant to Section 373.093, Florida Statutes.

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Administration of Agricultural Leases (continued)

	POLICY AREA	CURRENT	PROPOSED
140-10(2)	**Renewal/Extension of Existing Leases**		
140-10(2)(b)	*Length of Lease Terms*	An existing lease may be renewed and the competitive bid process may be waived if the existing lessee meets the following conditions	An existing cattle lease, of less than 10 cumulative years in duration, may be renewed for an additional term of up to 5 years, provided the overall term including the renewal does not exceed the total of 10 cumulative years; exceptions to be approved by the Governing Board.
140-10(2)(b)(6)	*Compliance*		Lessee must be in compliance with all conditions of Section 140-10 Administration of Agricultural Leases.

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Guidance from Project & Lands Committee

- Evaluate all lands for potential surplus prior to future bids and renewals at least one year in advance of lease expiration
- Ensure that appropriate outreach takes place notifying the public of proposed changes to lease policy
- Comprehensive outreach and notification during procurement/competitive bid process

Guidance from Project & Lands Committee

- **Existing Lessee Does Not Have to Participate in Bidding:**
  - Existing Lessee has the right to match high bid
  - Existing Lessee has the right to match high bid plus a ___ %
- **Existing Lessee Must Participate in Bidding:**
  - Right of Existing Lessee to match high bid
  - Right of Existing Lessee to match high bid plus ___%
  - Right of Existing Lessee to renew existing lease as long as Existing Lessee's bid is within ___% of high bid (rent amount shall be equal to the highest amount bid)

* **Note: In all scenarios the minimum bid amount is established by the appraiser**

Discussion & Guidance