Leasing and Land Ownership Terms

Agency - A relation created when one person (the principal) delegates to another person (the agent) the right to act on the principal’s behalf.

- Agent - The person empowered to act by and on behalf of the principal.

- Broker - One who acts as an agent for others in negotiating contracts.

- Principal - A person who authorizes another to act for him/her.

- Special agency - An agency created for the performance of special accounts only.

Appraisal - The process of estimating the value of an asset.

- Cost approach - Valuing property based on the current replacement cost less depreciation.

- Income approach - Valuing property based on its ability to generate income.

- Market approach - Valuing property based on recent sales of similar property.

- Market value - The cash price that a willing buyer and a willing seller would agree upon, given reasonable exposure of the property to the marketplace, full information as to the potential uses of the property, and no undue compulsion to act.

- Comparable sale - An actual land sale used in an appraisal to help estimate the market value of a similar piece of land.

- Adjusted market price - The value of a comparable property after adjustments have been made for differences between it and the subject property.

- Replacement cost - The cost at today’s prices and using today’s construction methods, of building an improvement having the same or equivalent usefulness as the subject property.

- Reproduction cost - The cost at today’s prices of constructing an exact replica of the subject improvements using the same or very similar materials.

- Highest and best use - The use of a parcel of land which will produce the greatest current value.

- Bench mark - A reference point of known location and elevation.

- Adjusted sale price - The sales price of a property less commissions, fix-up expenses, and closing costs.

Assessed value - A value placed on a property for the purpose of taxation.

- Ad valorem taxes - Taxes charged according to the value of a property.

- Assessment appeal board - Local government body that hears and rules on property owner complaints of over assessment.

• **Assessment roll** - A book that contains the assessed value of each property in the county or taxing district.

• **Board of equalization** - A governmental body that reviews property tax assessment procedures.

• **Mill rate** - Property tax rate that is expressed in tenths of a cent per dollar of assessed valuation.

• **Special assessments** - Assessments levied to provide publicly built improvements that will primarily benefit property owners within a small geographic area.

**Capitalize** - To convert future income to current value.

**Caveat emptor** - Let the buyer beware.

**Contour lines** - Lines on a topographical or contour map that connect points having the same elevation.

**Land and water** - Below are terms used to explain land use and the interaction of land and water.

  • **Alluvion** - The increase of land when waterborne soil is gradually deposited.

  • **Avulsion** - The removal of land by the action of water.

  • **Buffer zone** - A strip of land that separates one land use from another.

  • **Littoral rights** - The lawful claim of a landowner to use and enjoy the water of a lake or sea bordering his/her land.

  • **Percolating water** - Underground water not confined to a defined underground waterway.

  • **Water table** - The upper limit of percolating water below the earth’s surface.

  • **Reliction (dereliction)** - The process whereby dry land is permanently exposed by a gradually receding waterline.

• **Riparian right** - The right of a landowner whose land borders a river or stream to use and enjoy that water.

**Lease types** - Below are various types of leasing arrangements.

  • **Bushel lease (standing rent)** - The rent is designated as a specified number of bushels of grain delivered to the landowner.

  • **Cash rent lease** - A rental arrangement in which the operator makes a cash payment to the owner for the use of certain property, pays all production costs, and keeps all the income generated.

  • **Crop share lease** - The crop and certain input costs are divided between the operator and the owner (often half and half).

  • **Labor share lease** - The operator receives a share of the production in exchange for contributing only labor.

  • **Leveraged lease** - The lease arrangement involves three parties: a lesee, a lessor, and a lender. In essence, the lender makes a loan to the lessor that enables him/ her to purchase the equipment and lease it to the lesee.

  • **Livestock share lease** - The owner and operator contribute capital, share certain production expenses, and share the production of livestock.

  • **Percentage share lease** - The owner receives a share of the crop (e.g. 35 percent) and pays none of the production expenses.

  • **Shared appreciation** - Allows tenants to pay a somewhat higher than normal rent to the farm-land owner in exchange for some share of the future capital appreciation on land.

  • **Variable cash lease** - The annual cash lease payment is flexible depending upon yields and/or prices. Such flexible payments are frequently combined with a fixed base to guarantee a minimum lease payment.
**Leasebacks** - A business sells assets to another with an explicit provision to lease them back. This arrangement allows the original business to transfer ownership of the asset but still retain the right and opportunity to use that asset in the business.

**Lessee (tenant)** - An operator who leases property from the owner.

**Lessor (landlord)** - An owner who leases property to a tenant.

**Rectangular survey system** - A government system for surveying land that uses latitude and longitude lines as references.

- **Base line** - A latitude line selected as a reference in the rectangular survey system.

- **Correction lines** - Survey lines used to correct for the earth’s curvature.

- **Meridians** - North-south lines that encircle the earth and are used as references in mapping land.

- **Plat** - A map that shows the location and boundaries of individual properties.

- **Range** - A six mile-wide column of land running north-south in the rectangular survey system.

**Variance** - Allows an individual landowner to vary from zoning requirements.