New Jersey’s Farmland Preservation Program

Multiple Sources of Funding

February, 2014
IN THE BEGINNING
there was “skin in the game”

The New Jersey Farmland Preservation Program was founded (1983) on some important principles:

• Voluntary enrollment
• Compensation for rights obtained for the public benefit
• Strong State and Local Cooperation
  – Counties, Municipalities & Non Profit Organizations not only must participate in planning their preservation activities, but most importantly they must participate financially.
Basic Program Provisions

- State provides grants to counties, municipalities and non-profits
- State cost share typically 60%+; **required local match is 40%** +- 
- State cost share for Non Profits is 50%; **required local match is 50%**
- State also acquires directly from landowners through “Direct Easement Purchase” program
Where Are We Now?

Preserved Farmland as of April 2014

- **2,233 Farms / 207,722 Acres**
  In 18 Counties / 177 Municipalities

- County Easement Purchases (65% ac.)
  1,352 Farms / 134,083 Acres

- State Acquisition (16%)
  - Direct Easement Purchase
    325 Farms / 33,368 Acres
  - Fee Simple Purchases (5%)
    66 Farms / 10,495 Acres

- Municipal Planning Incentive Grants (9%)
  346 Farms / 19,168 Acres

- Nonprofit Grants (3%)
  71 Farms / 5,786 Acres

- Donations and State Owned Lands (2%)
  18 Farms / 4,820 Acres
The State of New Jersey cost share formula for all County and Municipal Projects

The percent State cost share shall be based upon the following:

From $0.00 to $1,000 = 80% above $0.00

From > $1,000 to $3,000 = $800 + 70% above $1,000

From > $3,000 to $5,000 = $2,200 + 60% above $3,000

From > $5,000 to $9,000 = $3,400 + 50% above $5,000

From > $9,000 to $50,000 = 60%

From > $50,000 to $75,000 = $30,000 + 55% above $50,000

From > $75,000 to $85,000 = $43,750 + 50% above $75,000

From > $85,000 to $95,000 = $48,750 + 40% above $85,000

From > $95,000 to $105,000 = $52,750 + 30% above $95,000

From > $105,000 to $115,000 = $55,750 + 20% above $105,000

From > $115,000 = $57,750 + 10% above $115,000
Program Cash Flow

- Farmland Preservation Program funding
  - 1999 – 2008 (GSPT): ~ $77 M/year
  - 2009 – 2013: $35M/year (average)

- Funding Status
  - GSPT acquisition period expired
  - 100% of GSPT funding appropriated or spent
  - 2007 & 2009 bond referenda – will get us thru FY2015

- New State Source of Funding Needed Soon!

- Other Sources of Revenue - LEVERAGE
  - County, municipal and non-profit funds
  - Federal FRP funds
  - Revenues from sale of fee-simple properties
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cost</td>
<td>$1,602,823,710</td>
</tr>
<tr>
<td>State Cost (64%)</td>
<td>$1,033,692,863</td>
</tr>
<tr>
<td>County, Municipality &amp; Non-Profit</td>
<td>$569,130,847</td>
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</tbody>
</table>
County and Municipal Support for Preserving Land is strong in New Jersey

<table>
<thead>
<tr>
<th>COUNTY</th>
<th>YEAR APPROVED</th>
<th>RATE (CENTS PER $100)</th>
<th>ANNUAL TAX COLLECTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantic</td>
<td>1990/1995</td>
<td>.5 cent</td>
<td>$2,500,000</td>
</tr>
<tr>
<td>Bergen</td>
<td>1996/2005</td>
<td>.025 cent</td>
<td>$4,675,000</td>
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<tr>
<td>Burlington</td>
<td>1996/1998/2006</td>
<td>1.5 cents</td>
<td>$6,739,097</td>
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<tr>
<td>Camden</td>
<td>1996/2005</td>
<td>2 cents</td>
<td>$7,505,794</td>
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<tr>
<td>Cape May</td>
<td>1989</td>
<td>1 cent</td>
<td>$4,500,000</td>
</tr>
<tr>
<td>Cumberland</td>
<td>1994</td>
<td>1 cent</td>
<td>$9,263,000</td>
</tr>
<tr>
<td>Essex</td>
<td>1998/2007</td>
<td>1.5 cents</td>
<td>$13,000,000</td>
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<tr>
<td>Gloucester</td>
<td>1993/2000/2004</td>
<td>4 cents</td>
<td>$11,015,600</td>
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<tr>
<td>Hudson</td>
<td>2003</td>
<td>1 cent</td>
<td>$1,124,125</td>
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<tr>
<td>Hunterdon</td>
<td>1999/2006</td>
<td>1.3 cents</td>
<td>$6,380,000</td>
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<tr>
<td>Middlesex</td>
<td>1995/2001</td>
<td>3 cents</td>
<td>$31,000,000</td>
</tr>
<tr>
<td>Morris</td>
<td>1992/1998/2001</td>
<td>1 cent</td>
<td>$9,500,000</td>
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<tr>
<td>Ocean</td>
<td>1997</td>
<td>1.2 cents</td>
<td>$10,090,858</td>
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<tr>
<td>Passaic</td>
<td>1996</td>
<td>1 cent</td>
<td>$5,629,001</td>
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<tr>
<td>Salem</td>
<td>2002</td>
<td>2 cents</td>
<td>$1,090,729</td>
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<td>Somerset</td>
<td>1989/1997</td>
<td>3 cents</td>
<td>$17,122,752</td>
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<tr>
<td>Sussex</td>
<td>2000/2004</td>
<td>.3 cent</td>
<td>$595,000</td>
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<td>Union</td>
<td>2000</td>
<td>1.5 cents</td>
<td>$9,584,247</td>
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<td>Warren</td>
<td>1999/1999/2002</td>
<td>6 cents</td>
<td>$5,181,856</td>
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</table>

$178,811,876

SOURCE: 2012 Open Space Tax Data, New Jersey Department of Community Affairs, Division of Local Government Services
Financial Infrastructure

NJ County and Municipal Open Space and Farmland Preservation Taxes Collected 1996 - 2013

- Counties: $2.71 billion
- Municipalities: $1.04 billion
- Total: $3.76 billion

Bar chart showing annual collections from 1996 to 2013.
Traditional New Jersey Funding Sources

- The State of New Jersey
- County and Municipal Funding
- Landowner Donation (portion of the cost share- allowable for Non Profit transactions only)
Non Traditional New Jersey Funding Sources

• Federal Farm and Ranchland (FRPP)—
pays 50% of the federal easement value

• Department of Defense (DOD) —
pays approximately 35% of the easement value on farms around the military base

• Open Space Institute (OSI) —
utilizing William Penn Foundation funding pays small grants in the Delaware Bay Shore & Philadelphia Food Shed areas
Other Tools

Installment Purchase

• Landowner receives some cash at closing
• County offers a floor interest rate
• Interest rate established just prior to closing
• Interest payments are tax exempt
• Landowner pays capital gains taxes upon receipt of purchase price
Assumptions

150 acre farm
30 year IPA
$10,000/acre
5% interest

150 acres X $10,000/ac. = $1,500,000
10% Cash at closing (less capital gains)

$ 120,000

IPA Face Value $1,350,000
Annual interest (5%) $ 67,500
Total interest paid (30 years) $2,025,000
Receipt of IPA face value $1,350,000
Less Capital Gains (20%) $1,080,000

Total Compensation to landowner $3,225,000 (after taxes)
The Sledgehammer of Preservation Tools?

- **Transfer of Development Rights**
- **Lot-size Averaging**
- **Contiguous Clustering**
- **Non-contiguous Clustering**
  - Two or more non-adjacent parcels are treated as a single site for the purpose of clustering.
Preservation Through Clustering

NJ is now officially serious about this tool

Cluster Development Bill

(P.L. 2013, c. 106)
Signed into law August 7, 2013

• Amends MLUL to update authority for contiguous and non-contiguous clustering and lot-size averaging
• Clarifies permission under conventional or planned development
• Allows for assignment of bonus density
• Allows for minimum and maximum lot size and FAR
• Allows conveyance of cluster restricted land
• Municipalities may provide for areas to be developed or preserved through clustering, or criteria for establishment of such areas
• Non-contiguous cluster must be optional
Key Lessons Related to Funding

Leverage is critical

– Important to start at beginning of the program
– Creates program “buy in” long term
– Constituency for future funding support
Key Lessons Related to Funding

Publicize, publicize, publicize!

Celebrating closing on the 847-acre Princeton Nurseries Farm, April, 2011.
Have **MANY** TOOLS in the Toolbox

- Pay full easement value at closing *(need $ partners!)*
- Use IPA to pay landowner more total in 30+- years *(you still need $ partners)*
- Donation of all or a portion of the easement value
- Develop complementary alternatives:
  - TDR
  - Non-Contiguous Cluster
Financing Land Preservation

“Conservation without money is conversation”