Easement Payments . . .
On the Ground!

"I think I can make money . . . farming!"

How to "Sell" Preservation as a Practitioner

- Need to emphasize that it's an ***"Economic Development"*** program
- PDR payments "ripple" in the ag economy
  - Irrigation
  - Poultry houses
  - Additional land purchases
  - Debt reduction and financing recycling
- Increases stability in land markets and the farm economy

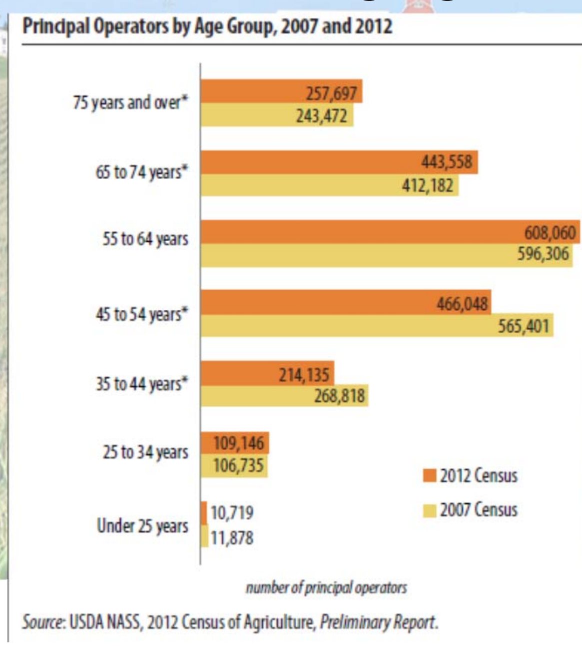
The Balance Sheet

- Does it make sense to farm on land valued at $10,000 an acre?
- Well, **no it doesn't!**
- Once land is permanently preserved the asset values on the farm look much more reasonable
- Affects how decisions are made
- Impacts the “long view” of the owners
- *“I've GOT to figure out how to make this farm pay – now!”*

Changing the Outlook

- Owners' views of the future change with preservation
- Long-term investments in efficiency and profit
- Management for the future rather than this year
- Diversification and intensification become “fundable”
- Retirement and transition planning come into the picture
- New attitudes about farming begin to pervade

National Issue: Aging Farmers



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Delaware's Solution

Young Farmer Program: Preservation and . . . Future Farmers!

Shared Objectives

Regular

- Permanent Preservation
- Discounted cost
- Competitive

Young Farmer

- Permanent Preservation
- Discounted cost
- Competitive

Young Farmers *FAST FACTS*

- **The average age of a Delaware farmer is 55; the average age of the Young Farmers Program participants is *26***
- **The land purchased with help through the Young Farmers Program will also be permanently preserved as farmland through Delaware's Agricultural Lands Preservation Program.**
- **To participate and receive a no-interest loan, eligible farmers must be between the ages of 18 and 40, have at least three years of farming experience and a net worth of no more than $300,000.**
- **Loan money is used to help purchase farmland in Delaware that contains at least 15 tillable acres zoned for agricultural use. Farmers must actively use the land for agricultural purposes for the term of the loans.**
- **The 30-year loans may fund up to 70 percent of the value of the property's development rights, defined as the difference between full market value and agricultural value, up to a maximum of $500,000.**

The Purchase and Loan

- Option to purchase brought to the table
- Loan from elsewhere for difference to sale price
- State up to 70% of easement appraisal (minimum 30% discount!)
- Compete on easement appraisal/State's loan ratio
- Pay off other loan first, then . . .
- State loan gets paid over 30 years at 0%!
- Payments “revolve” into preservation
- State has a perpetual easement

Some Unique Solutions of Interest

- Trust fund for the farm
- PDR payment was used to create a trust fund
- Legally “attached” to the farm
- All proceeds annually go to owner (whoever that may be)
- Corpus remains with real estate
- “Restores” the original value (less discounts, etc.) to future “owners”

Another Unique Answer

- Owner of three preserved farms wanted to "diversify" . . .
- . . . into tourism!
- Used PDR proceeds to purchase five condominiums at the Delaware seashore!
- Avoided capital gains - "like kind exchange"!
- Spread his business into a brand new arena
- Turns out to be brilliant! *"Some years I make more in 'tourism' than farming!"*

Last Thought . . .

"It's not how much you get . . . it's how much you get to keep!"

Michael McGrath, AICP

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