Keeping Conserved Farmland Affordable and Productive: The Vermont Experience

NATIONAL FARMLAND PRESERVATION CONFERENCE – MAY 12, 2014

Presentation by:
Nancy Everhart
Vermont Housing & Conservation Board
(802) 828-5066
nancy@vhcb.org
Trends in Agriculture in Vermont:

- # of farms nationwide *decreasing* (4.3%)
- # of farms *increasing* in VT and New England
- # of dairy farms continues to decline
- Slight increase in acres in agricultural use
Summary of Vermont Farmland Conservation Achievements

175,000 acres conserved on 780 farms

• VHCB-funding over 26 years: 615 farms, almost 146,000 acres of agricultural land – all in active ag production; includes 340 FRPP projects (approx. 66,400 acres)

• $157 million in public/private funding

• Public/private partnership: VHCB, NRCS (Farmland Protection Program), VLT, UVLT, VAAFM; land trusts are primary stewards
Vermont Farmland Preservation Impacts

- 11% of prime and statewide ag. soils conserved
- 15% of agricultural land conserved
- Focus on blocks of farmland in strong agricultural communities
- 1/3 to 1/2 of all new projects facilitate transfers to new owners
Sept. 11, 2001, stock market downturn and retreat to the country:

Will publicly-funded conserved farmland remain affordable to farmers?
May 2004: VHCB adds affordability as a policy goal to the Farmland Conservation Program

“make reasonable efforts to assure that conserved farmland is accessible and affordable to future generations of farmers.”

2004: VHCB adopts Option to Purchase at Agricultural Value (OPAV)

The “Option” replaces the “Right-of-First-Refusal.” Instead of easement holders being required to match another offer, the holders have the right to purchase the conserved farm at agricultural value. Farmers are paid more for easements with the Option included.
How does the Option work?

1. In VT, Option only triggered by sale to a non-family, non-farmer.

2. OPAV automatically waived for all sales/transfers to family and to “qualified farmers”*

3. OPAV is perpetual

* “Qualified Farmers” earn at least 1/2 of gross income from farming and are exempt from the Option.
Sales impacted by OPAV

If buyer is not family or a farmer, the owner of conserved farm provides copy of Purchase and Sale Agreement and Buyer's farm business plan to easement holders.

Holders have 30 days to decide to waive or give Notice of Intent to Exercise Option.
How do the holders decide whether or not to exercise the Option? (If buyer not a farmer)

- Does business plan describe a commercial ag. operation?
- Does the buyer have skills to implement the plan?
- Organizational considerations to exercising:
  - financial risk
  - staff time
  - is farm likely to stay in long-term ag. use?
  - Is there a farmer to buy the property?

If holders waive Option, sale proceeds at price agreed upon in Purchase and Sale Agreement.
OPAV goal:
Keep conserved farmland in ownership of farmers

- Option is deterrent to non-farm buyers and gives sellers incentive to find farm buyers
- In Vermont, 90% sales of OPAV-restricted farms have been to farmers
- In all but one case, OPAV waived on sales to non-farmers, based on business plan
- VLT exercised OPAV once – bought and resold farm
OPAV-restricted Farms

- 220 Farms conserved with OPAV
- 102 sales – majority to family and simultaneous with easement purchase
- 28 arms-length sales – 20 to farmers/8 to “non-farmers” (OPAV waived)
- Were sales affordable? Does “affordable” mean able to be purchased by a farmer?
Most VT farms are a combination of tillable land, pasture, woods, buildings – large variability in pricing due to these factors, and location.

2012 Ag Census data - $3,205/A value land and buildings (unconserved and conserved): 10% increase since 2007
Conserved Farmland Values

- Tillable acres – range $600 to $2,500/A
  (adjustments used by appraisers)
- High geographic variability – large farmers driving up prices in some parts of the state
- Latest range: $640/A to $4,600/A
  (many sales include buildings)
Configuration and Affordability – buildings in or out?

- Historically, VHCB conserved only “whole farms”
- In 2004, starting excluding housing/farmsteads to address affordability
- Now, farms conserved both with and without buildings/housing
- Right to build labor housing included in all easements
Appraising the buildings in Whole Farm Options

- Option only values the contributory value of buildings using the “cost” approach (replacement value less functional obsolescence and depreciation)
- Does not value views, neighborhood, or enhancing natural features i.e. lake frontage
- If Option exercised, buildings are appraised to determine value at that time.
Is the Option Working?

- 90% of sales are to family/farmers – OPAV automatically waived
- Keeping farmland in ownership of farmers
- Established farmers outcompeting new/beginning farmers – and driving up prices
Land Access Project

- New England project focused on land access for new/beginning farmers (Land for Good)
- Analysis of OPAV in MA and VT:
  - Majority of farm buyers expanding existing operations
  - Prices higher than expected
  - Very few purchases by new/beginning farmers
Examples of affordable farm purchases

- Mauro/Bragg farm – 48-acre hill farm with modest house and large historic barn in Fayston (ski area town): $165,000
- Business plan: artisanal butter and whey-fed pork
Bread and Butter Farm

- 143 acres with barn in Chittenden County - $225,000
- Business plan: move existing bakery to farm, and establish micro-greens, CSA and diversified livestock business
Vermont Farm to Plate

- Statewide plan with 10 year goals/vision:
- Increase economic development in Vermont’s food and farm sector.
- Create jobs in the food and farm economy.
- Improve access to healthy local foods.
- Goal 5: Agricultural lands and soils will be available, affordable, and conserved for future generations of farmers and to meet the needs of Vermont’s food system.
Farmland Preservation is not enough: Other tools to address affordability & access

- Incubator farms (Intervale Center)
- Long-term leasing and CLT model
- New funding models (slow money, loans for easement, farm investors)
- Farm viability/transfer planning
- VLT Farmland Access Program
Program goal: to assist farmers in acquiring farmland at affordable price, VLT buys property and resells with easement and OPAV
• Project typically originates within community with extensive local input
• VLT uses public RFP process to find and choose the farm buyer
• Possible limited development and/or conservation buyer of non-ag. land
Resources and links

- www.vhcb.org
- www.vlt.org
- www.vtfoodatlas.com
- nancy@vhcb.org – 802-828-5066