

Farmland & Open Space Preservation Through Purchase of Development Rights

Kendra Wills

Kent/MSU Extension Land Use Educator

Staff person to the Kent County Agricultural Preservation Board

willsk@msu.edu

(616) 336-2028

The 154 acre Robinson dairy farm.
Sparta Township. Preserved in September 2007.



Overview of Presentation

1. Why is preserving farmland important?
2. What is PDR?
3. History of PDR in Michigan
4. The Kent County Experience
5. Funding
6. Future Funding Prospects
7. Other Land Preservation Tools
8. Tax Incentives for Land Preservation

Agriculture in Michigan

- \$63 billion per year industry.
- 1 in 4 jobs in Michigan is linked to Agriculture
 - Food Retail and Restaurants
 - Food Processing
 - Packaging and Advertising
 - Equipment and Agri-Sales
- 25% of Michigan's land base is productive agricultural land
- Michigan is the 2nd most diverse in terms of crops grown in the U.S.





Why is preserving farmland important?

Hillsdale and Lenawee Agricultural Statistics
from 2002 Census of Agriculture

Hillsdale

- 1,509 farms totaling 275,316 acres = 79% of the county
- 182 acres per farm avg.
- #11 in MI for soybeans
- #12 in MI for corn for grain
- #13 in MI for corn for silage
- #18 in ag production \$

Lenawee

- 1,446 farms totaling 353,083 acres = 89% of the county
- 244 acres per farm average
- #1 in MI for soybeans
- #2 in MI for corn for grain
- #3 in MI for wheat for grain
- #10 in ag production \$



What is PDR?

- 100% Voluntary.
- Permanently Preserves Prime Farmland.
 - State law requires PDR easements to be permanent.
 - Idea is to create large blocks of preserved farmland for food production.
- The land can still be sold as farmland.
- Landowners are compensated for the fair market value of their land for the development rights.
 - An appraised price is agreed to by the landowner



Development Rights Values

- Two examples from low development pressure areas in Kent County. Aug 2005.

Sparta Township

80 Acres

\$5,300/A with no restrictions

- \$2,000/A with easement

\$3,300/A development rights

Nelson Township

76.5 Acres

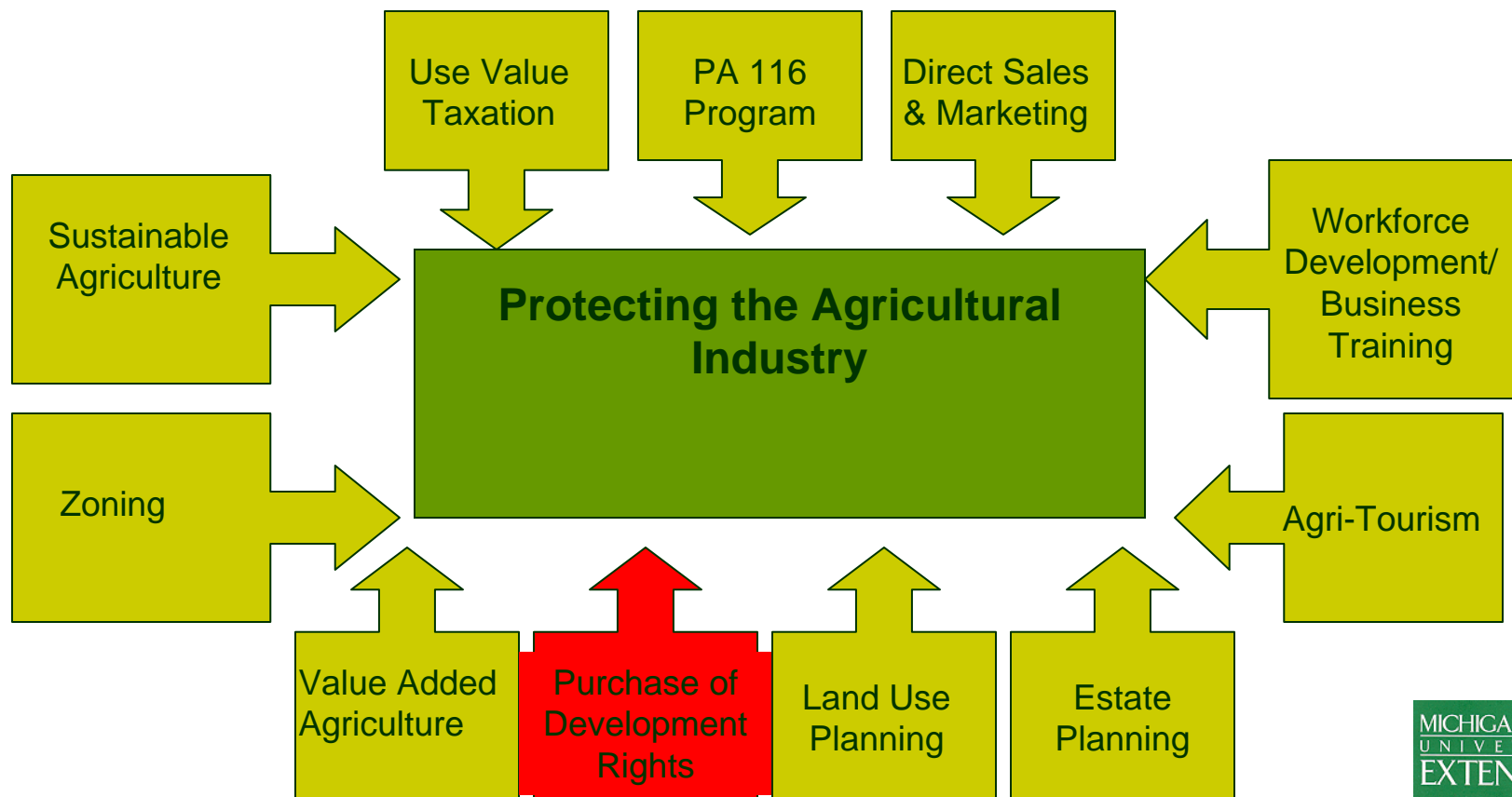
\$4,300/A with no restrictions

- \$2,000/A with easement

\$2,300/A development rights

What is PDR?

- PDR is one tool of many to support a sustainable agricultural industry.





History of PDR in Michigan

- 1974 – 2000: MI Dept of Agriculture administers PDR Program
 - PDR on 66 farms covering 15,860 acres
 - Received donations on 17 farms covering 2,776 acres
- 2000: State passes legislation requiring local PDR programs for state funding
- 2002: MI Ag Preservation Fund Board Appointed by Governor



History (continued)

- 2005: First round of MI Ag Preservation Fund grants awarded. \$1.3 million granted statewide to 5 local PDR Programs
- 2006: Second round of MI Ag. Preservation grants awarded. \$1.5 million granted statewide to 6 local PDR Programs.
- Today, 25 local PDR Programs have been “qualified” to receive MI Ag Preservation Fund grants
- HB 4278 introduced to encourage faster repayment of liens. Should increase the \$ in the next grant cycle if passed.



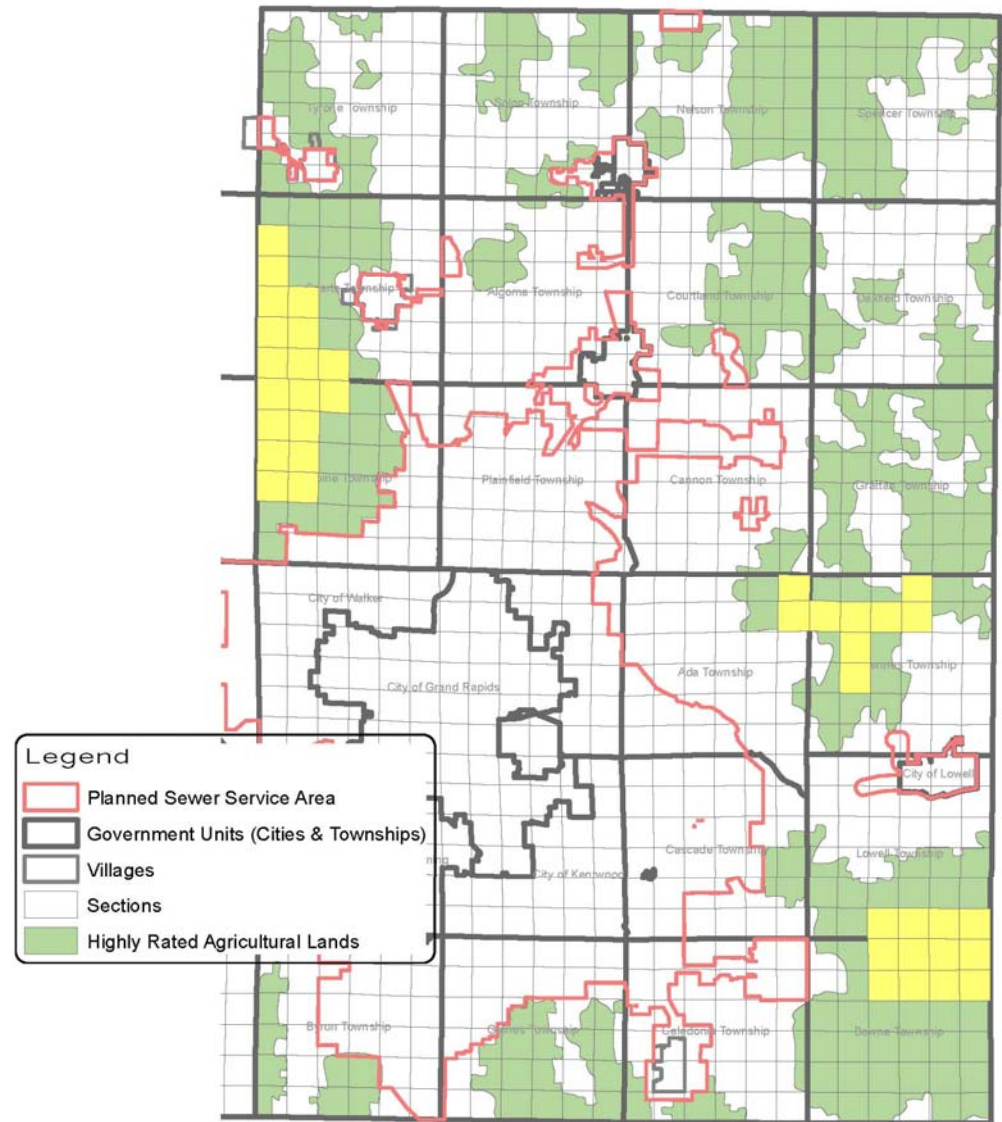
History of the Kent County PDR Program

- County Urban Sprawl Subcommittee Report of 2001
 - Called for the creation of a greenspace preservation program that included farmland protection.
 - Citizen Workgroup (25+ members) Developed PDR Ordinance and Draft Scoring Process.
 - PDR Ordinance Adopted in 2002.
 - Ag Preservation Board Appointed in 2003.
 - Kent/MSU Extension Land Use Educator and GVMC to provide staff support.

- The goal of the Kent County PDR Program, as stated in the ordinance adopted in 2002, is to **protect 25,000 acres by the year 2013.**

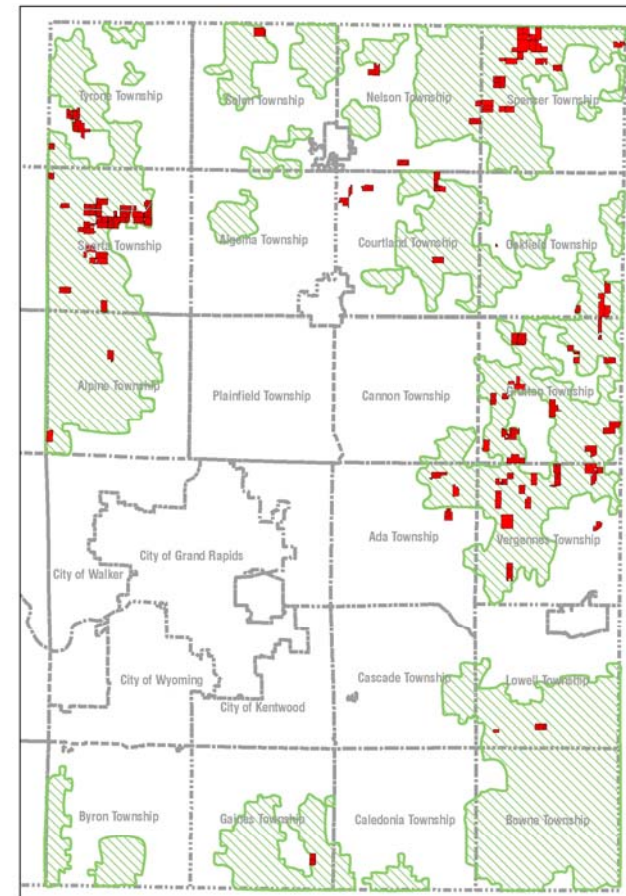
- 25,000 acres is represented by the yellow squares on the map.

- 25,000 acres is 5% of Kent County's total land area.

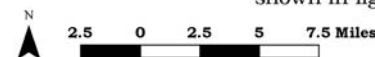


2003 – 2008 Kent County PDR Applications

- Total number of applicants (no duplicates) = 61
- Total number of acres (no duplicates) = 7,180
- 46% of applicants have chosen not to re-apply. This represents over 1,230 acres.



Applications shown as red areas.
Land planned for preservation in Regional Plan
shown in light green.



Kent County Working Time Line

- March 1 – April 30: applications accepted
- May: Township Boards Approve
- June: Scoring
- July: Letter to landowners with scoring
- Aug-Sept: Appraisals
- Oct – Dec: State Grant Application
- Jan: State Grants Awarded
- Feb – May: USDA Grant Application
- June-July: USDA Grants Awarded
- Aug – Aug: Closing Process



The purpose of the Kent County PDR program is to protect farmland to:

- Maintain a long-term business environment for agriculture.
 - Lack of a land base is a threat to the industry.
 - Lack of land for young farmers is also a threat.
 - PDR protects land base and helps make land affordable to young farmers.



The 75 acre Clayton and Mary Heffron farm.
Grattan Township. Preserved in May 2007.

The purpose of the Kent County PDR program is to protect farmland to:

- Preserve the rural character and scenic attributes of the county.
- Enhance important environmental benefits.
- To maintain the quality of life of county residents.



The 75 acre Clayton and Mary Heffron farm.
Grattan Township. Preserved in May 2007.



Local Matching Requirements for PDR Funding

- Federal = 50% of appraised value of development rights secured at the time of grant application.
 - Historically, \$2 million/year distributed in Michigan
- State = 25% of appraised value of development rights secured at the time of grant application.
 - \$1 million/year distributed statewide.



State PDR Grant Master Plan Qualification Criteria

- Comprehensive Land Use Plan must be less than 10 years old and has been reviewed and/or updated within last 5 years.
- Plan must include the following:
 - The areas intended for **agricultural preservation** clearly depicted on the future land use map
 - A description of **how and why** the preservation area was selected.
 - **Goals** for farmland preservation
 - Language indicating **why farmland should be preserved** in the community (cost of services studies, economic benefit, etc...)
 - Text describing the **strategies** intended to be used in order to preserve the agricultural land, including PDR, but should also include other techniques.

Howard Farm Preserved in 2005. 106 Acres



From left to right:
Kent County Commissioner, Jack Horton
Congressman, Vern Ehlers
USDA-NRCS, Carla Gregory
Landowner, Tim Howard

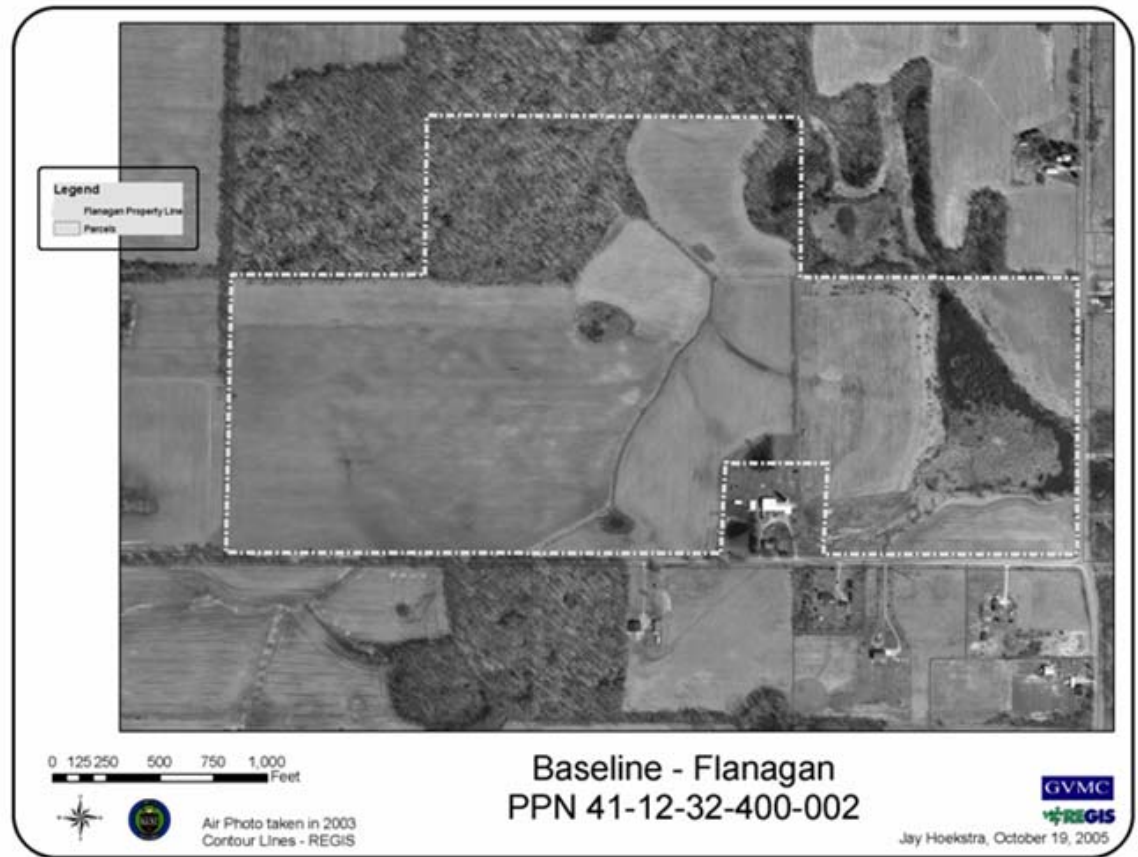


Media Coverage:
WZZM Channel 13
Fox 17
Grand Rapids Press



Flanagan Farm

Preserved in 2006. 145 Acres



Parnell Avenue Corridor

Legend

Type of Street or Road

- Freeway
- Highway
- Primary
- Secondary
- Proposed/Under Construction

Lakes & Ponds (Over 1 Acre)

North Country Trail

Government Units, Kent County

Nature Conservation Easement

LCWM Nature Preserves

Open Space Easement

Private Land Dedicated to Open Space

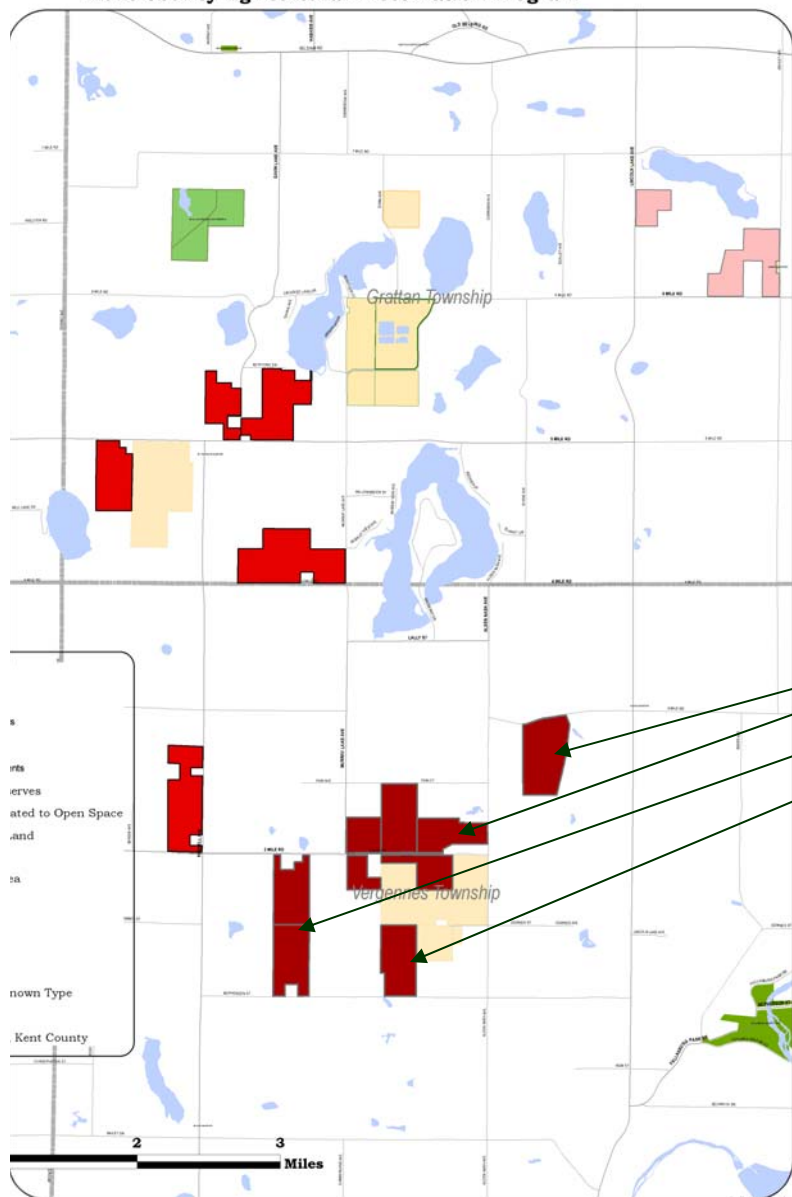
Open Space PUD's

Publically Owned Land

Parks

- Airport Viewing Area
- Golf Course
- Green Space
- Nature Preserve
- Park
- Park-Other or Unknown Type
- State Game Area
- Power Line ROW
- Local Agricultural Easements
- KentCoPDR

Preserved Farmland Kent County Agricultural Preservation Program



Preserved area represents over 1,000 acres of preserved land!

Wege Conservation Easements

9 parcels totaling 577 acres



List of Kent County Preserved Farms

1. **Howard Farm**, Vergenens Township. 106 Acres. Preserved in 2005.
2. **Flanagan Farm**, Grattan Township. 145 Acres. Preserved in 2006.
3. **Heffron Farm**, Grattan Township. 75 Acres. Preserved in 2007.
4. **Bradford Farm**, Sparta Township. 80 Acres. Preserved in 2007.
5. **Seif Farm**, Grattan Township. 141 Acres. Preserved in 2007.
6. **Robinson Farm**, Sparta Township. 154 Acres. Preserved in 2007.
7. **Merriman Farm**, Lowell Township. 57 Acres. Preserved in 2008.
8. Total Preserved Acres = **758 Acres**



Kent County's State and Federal Grants for PDR

■ Michigan Agricultural Preservation Fund

- \$511,097 Total
- Two grants: 2005 and 2006
- Supported Bradford and Robinson Farms

■ USDA Farm and Ranch Land Protection Program

- \$1,069,475 Total
- Two grants: 2003 and 2004
- Supported Flanagan, Heffron, Howard, Merriman, Seif Farms



Local Foundation Grants

■ Dyer-Ives Foundation	\$15,000
■ Frey Foundation	\$207,500
■ Grand Rapids Community Fdn	\$100,000
■ Inst. For Systemic Change	\$50,000
■ Lowell Area Community Fund	\$50,000
■ M.E. Davenport Foundation	\$100,000
■ Steelcase Foundation	\$400,000
■ Urban Cooperation Board	\$25,000
■ Wege Foundation	<u>\$602,178</u>
	\$1,549,678

*Note: Some of these funds were not able to be used.



Township Contributions for PDR

■ Ada Township	\$23,813
■ Alpine Township	\$1,500
■ Bowne Township	\$5,000
■ Caledonia Township	\$40,000
■ Grattan Township	\$54,000
■ Nelson Township	\$2,400
■ Vergennes Township	<u>\$500</u>
	\$127,213

*Note: Some of these funds were not able to be used.



Contributions from Property Owners

■ Bradford Family	\$40,000
■ Cranmer Family	\$65,000
■ Merriman Family	\$51,341
■ Robinson Family	\$79,176
■ Wilcox Family	<u>\$10,000</u>
	\$245,517

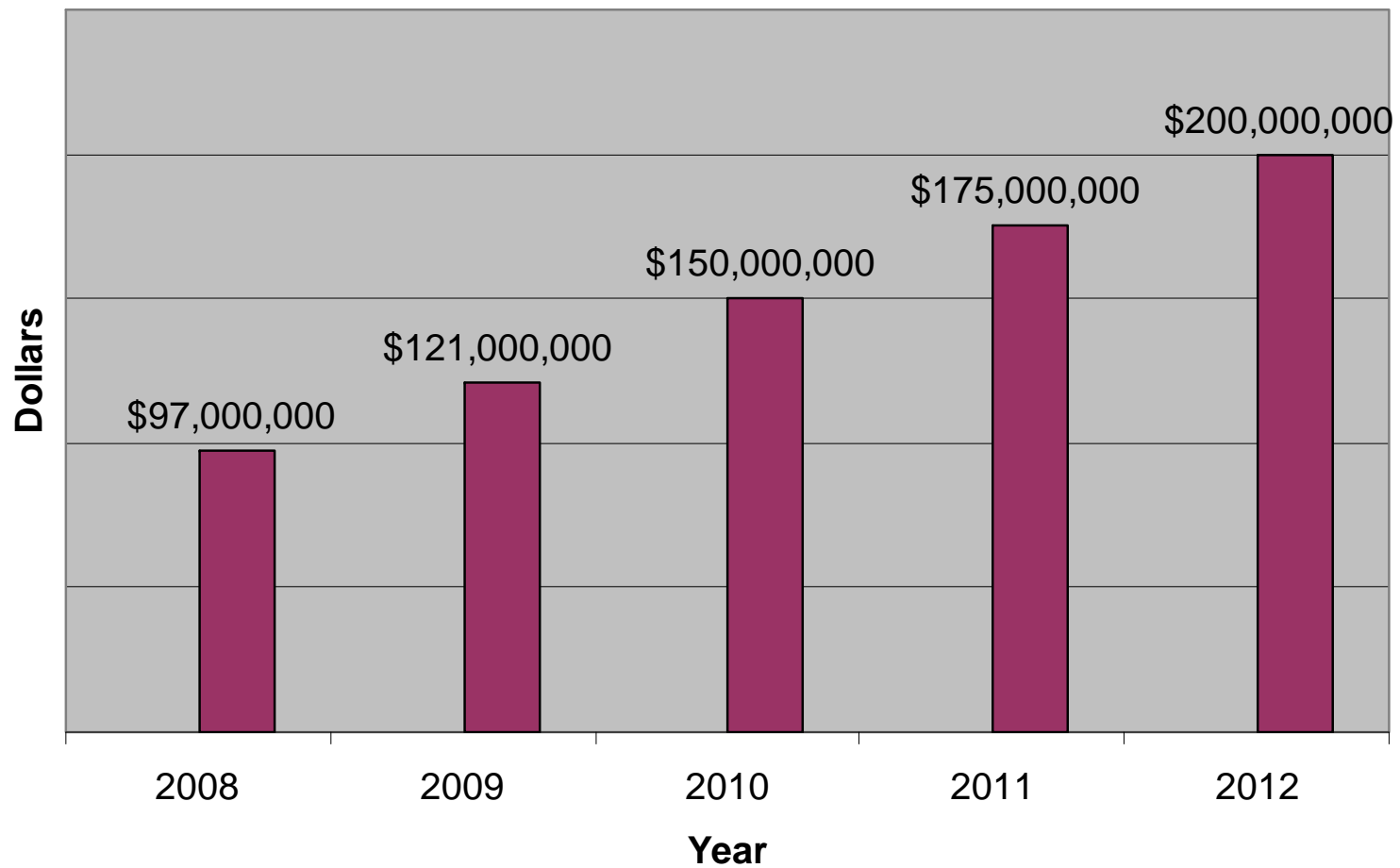
The Future of the Kent County PDR Program



The 80 acre Bradford farm.
Sparta Township. Preserved in May 2007.



2008 Federal Farm Bill Funding for the Farmland Protection Program





Creation of a PDR Endowment Fund

- \$20,000 of \$100,000 grant from M.E. Davenport Foundation to create a PDR Endowment Fund.
- Purpose of the Fund is to provide a sustainable funding source for appraisal and closing costs.
- Contributions from Property Owners at PDR Closing
 - Cost of appraisal + 50% of closing costs
 - Estimated contribution value = \$5,500

Future Funding Prospects

Crystal Flash Corporation



- Contributed 1 cent from every gallon of Michigan grown soy diesel sold during prime growing season.
- Raised \$550
- Possibility for expansion and continuation.




Future Funding Prospects

Ideas:

- Point of Sale Donations at locally- owned grocery store
- Annual Fundraiser Dinner
- Check box for donation on local tax bill
- And more!



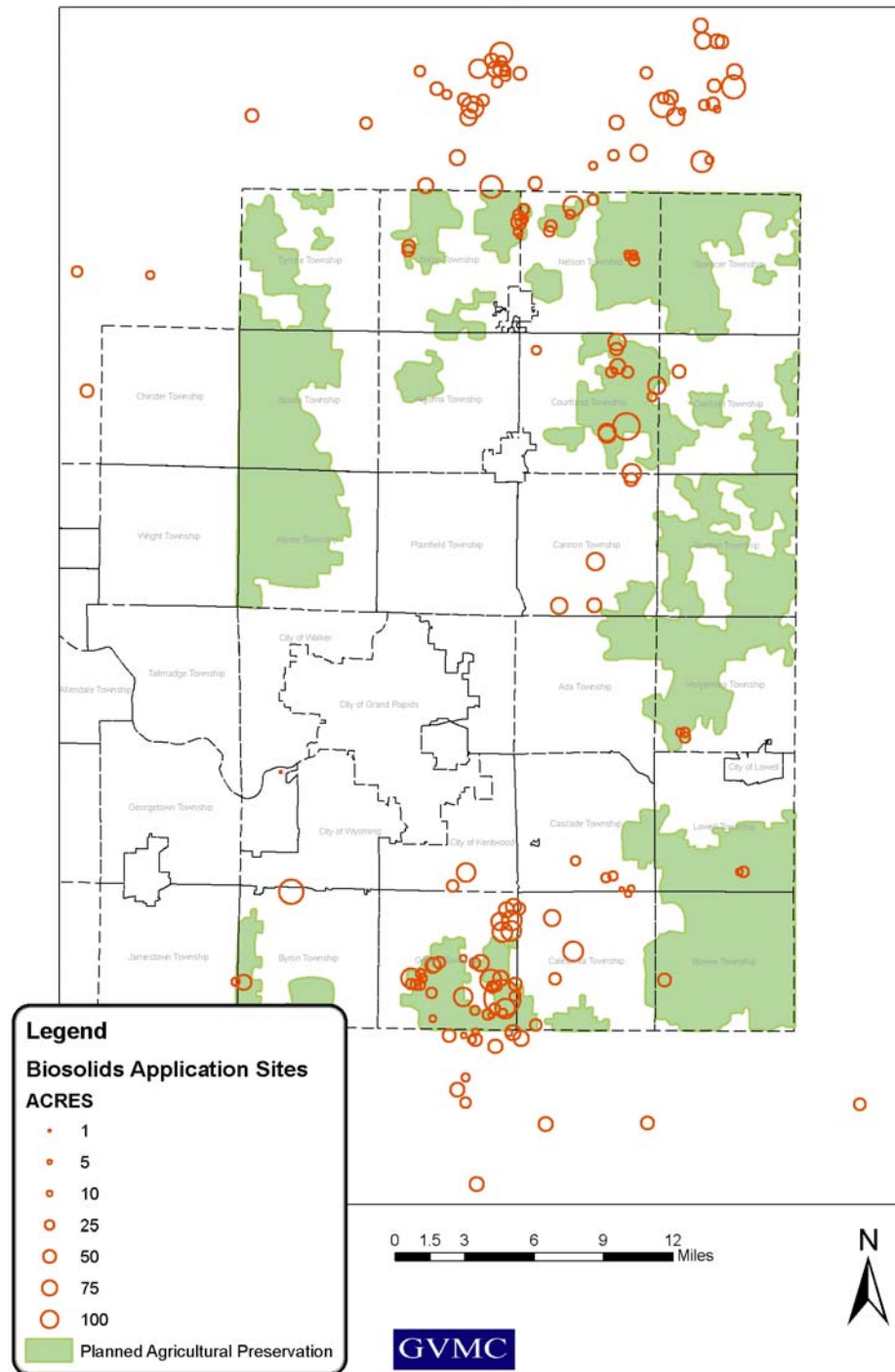


Partnership with the Grand Valley Regional Biosolids Authority

- Preserve farmland for disposal of biosolids.
- Biosolids are a fertilizer that is in high demand by the local farming community.
- Sewer fee funds used for PDR where biosolids can be land applied.
- Biosolid Application Easement and Option Agreement language.
- Leverage state and federal grant funds.

Biosolid Application Sites

City of
Wyoming land
applies
biosolids from
Clean Water
Plant on
12,000 –
15,000 acres
of area
farmland.



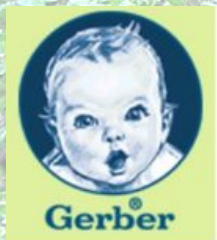
Emerging Trends in Agriculture

□ Agri-Tourism

- 4,000 agri-tourism businesses in Michigan
- 33 agricultural fairs/festivals in West Michigan

□ Local Food and Organic Food

- The organic market has been expanding by 20% per year for the past several years nationally.
- The Select Michigan campaign increased sales of local produce by 111% in the Grand Rapids market in 2003.



The 57 acre Merriman farm. Lowell Township.

Preserved in January 2008.

Emerging Trends in Agriculture

- Nutraceuticals – fruits and vegetables sold as vitamin supplements to improve health
 - Graceland Fruits in Frankford is the largest single provider in the world.
- Renewable Energy (Biodiesel, Biomass to Electricity, Ethanol, Wind Energy)
 - The Sparta area has been identified by the US Dept of Energy as a potential supplier of wind energy.



Large utility-level wind turbines need large, open, windy areas. Active farms can be ideal locations.

Other Land Preservation Tools

- PA 116
- USDA NRCS Programs
- Open Space Development
- Non-Contiguous Open Space Development
- Public Purchase
- Donation or Partial Donation
- Conservation Easements

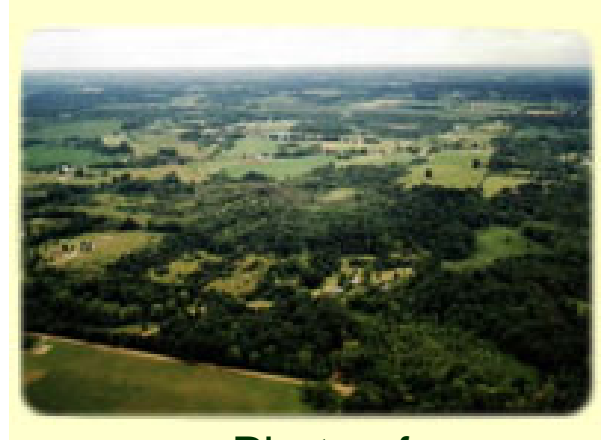


Photo of
conservation
easement property
from the Washtenaw
Land Trust



Landowner Donations

Pension Protection Act of 2008

Valid Through December 2009

■ Old Law

- Any donation of a conservation easement received a charitable contribution deduction of 30% of the Adjusted Gross Income (AGI) on his or her tax return. Remainders of deduction carried over up to 5 years.

- Example:

- AGI = \$50,000
- Easement value = \$400,000
- Deduction = \$15,000/year * 6 years = \$90,000

■ New Law

- Effective through 2009 unless Congress extends it.
- Donation of conservation easement receives 50% deduction of Adjusted Gross Income.
- If landowner is a “qualified farmer or rancher” and property remains generally available for agriculture or ranching then deduction could be as much at 100% of Adjusted Gross Income. Remainders of deduction carried over up to 15 years.

- Example:

- AGI = \$50,000
- Easement value = \$400,000
- Deduction = \$25,000/year * 16 years = \$400,000

Source:

Gouger, Franzmann, & Hooke, LLC. *Pension Protection Act of 2006 (H.R. 4) Explained*. August 17, 2006.



The Howard Family

"The land was not given to us by our parents, it was lent to us by our children."

-Abraham Lincoln