

Appendix Topic I: Housing opportunities on preserved farmland

- **SADC/CADB farmland preservation housing policy information:**

There are currently few formal standards regarding houses and housing opportunities on preserved farms. In the county preservation program, one Residual Dwelling Site Opportunity (RDSO) can be granted for every 100 acres of land that does not have a house. (When RDSOs are exercised, at least one person living in the new house must be regularly engaged in farming activities on the farm.) Carving out exception areas is permitted in all programs. The number and type of exception areas allowed, and how large these areas may be, is left to the discretion of county boards and the SADC. In the absence of a formal policy, the standard is whatever seems reasonable. Since 2002, Mercer County has had a policy that limits new house sizes to 4,000 sq ft. The SADC doesn't have an equivalent policy, but in the fee simple program, it has recently been limiting future house sizes to 3,500 sq ft. In a few instances, the SADC has preserved farmland with no houses and no housing opportunities. The SADC has a subcommittee to consider a housing policy that could touch on each of these areas.

- **Selection from the SADC Appraiser Handbook:**

<http://nj.gov/agriculture/sadc/appraiserhandbook.pdf>

“The general intent of the deed restriction is to limit the use of the property for agricultural purposes thereby stabilizing the loss of farmland to non-farm uses. The owner of record may continue to own, farm, sell, or lease the property to others for agricultural purposes. Other uses, which are compatible with agricultural pursuits, are permitted such as residential/estate uses and certain recreational activities. In certain instances the value of the property for these uses may be primary in the marketplace while agricultural value is secondary. This point is frequently illustrated by properties in areas undergoing heavy development pressure, in exclusive gentrified areas, or in situations where the land parcel is relatively small in size.

“Whereas commercial agriculture may not be the primary motivating force in the purchase of such lands, the property may be very desirable as a "rural residence with acreage" or as a "country estate" with the focus of its value becoming the potential of the existing residence on the property or the ability to construct a residence in the future under a residual dwelling site opportunity. In such cases, land value is rooted in the open space amenity provided to the residence or anticipated residence. (p. 18)

“Market Value Restricted is the market value of property subject to the deed restrictions placed on the title of a property as set forth in N.J.A.C. 2:76-6.15. This term may be synonymous with agricultural market value although in areas under heavy development pressure or in more exclusive gentrified areas an increment of value may be inherent for residential and/or recreational uses with agricultural use being secondary. The restrictions placed on the premises run with the land forever.” (p.19)

- **News articles**

CRITICS - MANSION TWISTS FARM PROGRAM

By Tracey L. Regan, Times, January 05, 2003

Lawrence – Across a wide meadow, along a road once dotted with fruit, vegetable and dairy farms, is a sprawling Colonial-style mansion that has become a symbol of misspent public dollars to some cash-strapped farmers as well as some conservationists.

The 16,000-square-foot house off Cold Soil Road sits in the middle of what is still technically a farm, although the fields have not been cultivated in several years.

The development rights on 84 acres were bought in the 1990s by the Mercer County Agricultural Development Board for nearly \$10,000 an acre, with a slice of land carved out for the new house. The owner, E. Bruce DiDonato, keeps a small herd of cows.

Critics contend the house, which would be closer to 27,000 square feet if the basement were finished, has put this prime agricultural land out of the financial reach of so-called working farmers should the family decide to sell it.

DiDonato, however, contends that a move to restrict the size of homes on such protected acres will frighten off the very people who have the money to spend on the pricy farm acreage in central New Jersey.

A report two years ago by the state inspector general mentioned the Lawrence farm in a footnote and suggested that public funding for what it called "estate acreage" should receive a "hard policy review."

Since then, the state has set maximum limits for homes on the properties it preserves. Some counties, Mercer included, have done the same.

While Mercer farming officials would not single out the Lawrence property as their motivation, they decreed last year that from now on, no house of that size - indeed, even a fraction of that size - will be built on farms preserved through the county.

"With a huge house, the chances that a bona fide farmer would ever be able to purchase the property down the road would decrease," said Gary Mount, a member of the county agricultural board and a neighbor of the DiDonatos.

Mount and his wife, Pam, own Terhune Orchards next to the DiDonato property.

After some reflection, the county decided to limit the size of new homes on farms entering the preservation program to 4,000 square feet, Mount said.

The state agricultural development board has adopted a similar "anti-mansion" rule for the farms it buys, deed restricts and auctions.

Initially set at 4,500 square feet, the limit was recently lowered to 3,500. And the state recently sold a preserved farm in Gloucester County with a no-house clause in the deed.

"We're looking at the impact housing has (on sale prices)," said Gregory Romano, administrator of the state farmland preservation program.

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The new policy is an acknowledgment of the struggle many New Jersey farmers face eking out a living on the costliest agricultural land in the nation, where approximately half of the farmers own their own land and a majority of them report farming as a secondary source of income.

Traditional sectors, such as grain and dairy farming, are some of the hardest hit by rising land costs and slumping commodity prices. Booming sectors, such as nurseries, cater largely to suburban home buyers.

Land prices have risen most sharply in the northern and central parts of the state, where developable land is fast disappearing and rural retreats look increasingly attractive to wealthy estate seekers.

Romano noted, for example, that a 94-acre farm with severed development rights in Monmouth County had recently sold for \$28,000 an acre, though it was a farmer who bought it.

Lisa Specca, a member of the state agricultural board, said it was the size of houses on preserved farms in Hunterdon County that first prompted the board to take action, though she argued that limiting a house to 3,500 square feet is too restrictive.

"The biggest problem is public relations," said Gary Pohorely, administrator of Hunterdon County's farmland preservation program. "If the public sees a 10,000-square-foot house, they'll say, 'That's for the rich.' "

But he said the county board has not taken up the issue. While the county programs are subsidized by the state, they have the authority to set some of their own rules.

Though farming officials say they do not have the authority to decide who can own a preserved farm or dictate what is produced on it, they call the new restrictions an attempt to make conditions more favorable for increasingly frustrated farmers.

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James Kinsel is one such farmer. He has spent the last decade building a direct-market organic vegetable business on 60 rented acres in Hopewell Valley but fears he may never be able to own a farm near his customers.

Kinsel complains that he and other "working farmers" are increasingly up against "land speculators, real estate developers, lawyers, etc." and not just for properties sold on the open market but for publicly owned farms that are deed restricted and sold by the state.

He attended the recent auction of the former Sarkuni farm in Cranbury, armed with high hopes and ready recriminations.

"We're going to put up a fight on Sarkuni," he said, days before the auction of the 117-acre farm. His fears, as it turned out, were only partly confirmed. While a well-known land speculator bid against him that day, he lost out to a nurseryman willing to pay just shy of \$1 million for the farm.

"It's an open question whether putting restrictions will work," Kinsel said of the state's housing policy. He advocates a more radical approach - requiring people who buy preserved farms to make at least 50 percent of their income off the land.

"I don't think the public had in mind a feudal system where farmers are the functionaries who maintain basic legal requirements," he added. But he acknowledges, "It's not possible that all farmland in the state could be owned by farmers."

Conservationists such as Ted Stiles of Friends of Hopewell Valley Open Space say the public should benefit from the state purchased easements as well. Stiles suggests that the public be given access to preserved farms through the use of hiking trails, for example.

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The state does not monitor productivity on the nearly 800 deed-restricted farms here, and the only requirement for entering the farmland preservation program is an agreement to keep the land "available" for farming.

Hunterdon County does require owners of farms in its program to mow once a year "to keep from growing trees," as a farming official put it.

While the program was created by the Legislature in 1983 to preserve

farming in the state, the regulations were written vaguely "because we couldn't foresee enough things," said Mount, who served on the state agricultural board at the time. "You can't guarantee profitability, for example," he said.

The criteria for maintaining farmland assessment for tax purposes is also not very restrictive. A farm owner must generate \$500 from his first five acres and \$5 per acre on the remaining productive land.

And there is little agreement even among farmers about how the state should run the farmland preservation program. Those leaving the industry, who are often looking to sell their land at the highest price or to devise new ways to make money on it, feel very differently from those committed to farming.

"I think people should mind their own business," said Bill Pettit, the mayor of Springfield and a longtime dairy farmer. His son took the family herd to more profitable acres in Minnesota more than a decade ago.

Pettit argues that he should be able to run an antiques business on his preserved farm and is pushing for legislation that would permit retroactive exceptions for farm-based businesses like that.

"What is a farm is an evolving concept," said David Frank, an attorney for Washington Township. "The one thing we do know is that once you build a lot of houses it's no longer a farm."

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DiDonato, who says he never disguised his goal of building a house on his farm acres in Lawrence, said he was encouraged by the county to enter the preservation program.

After the deal went through, however, he said farming officials complained about how he had landscaped the property and where he had placed his driveway and told him to change his plans.

He refused.

He calls the county's approach heavy-handed and contends that it risks alienating people with the money to buy expensive farm acres in this part of the state.

"My view is that open space and agricultural preservation are one and the same. If you're going to be more restrictive, you're going to lose out," he said.

"You're going to eliminate an entire category of people who would buy a farm and maintain it."

Bryce Thompson, founder of a land holding company that has bought several farms in the area, has expressed an even more unsentimental attitude.

"Farmers have been up against nonfarmers forever," he said. "If (farmers) want to buy cheaper land, they should go to South Jersey and buy it. It's half the price there.

"The more money the state gets, the more it has to preserve farms," he added.

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CHEAP FARMLAND OR A PASTURE TO WEALTH:

DEVELOPER PITS MONEY AGAINST GROWERS AT STATE AUCTIONS OF PRESERVED LAND

By Alexander Lane, Star-Ledger, August 19, 2003

Bryce Thompson IV has made his fortune buying land and selling it to developers.

So why has he taken such an interest in permanently preserved farms?

Thompson, one of the state's most successful land speculators, has been showing up at state auctions of preserved farmland. He has been the high bidder three times.

Thompson said it's just a way to pass the day.

"I get a kick out of it," said Thompson, who lives in Ringoes, Hunterdon County. "Some people buy stamps, some people have art."

Farmers are none too happy at having to bid against the deep-pocketed land dealer.

"To put it bluntly, we're getting hosed," said Sherry Dudas of the Watershed Organic Farm in Pennington.

Dudas and others suspect Thompson plans to one day adorn each farm with one giant house - slipping it under the preservation rules as a "farmhouse" - and sell them as estates.

There's reason to believe they're right.

Thompson showed up to a meeting of the State Agricultural Development Committee recently and complained about rules limiting the size of the house one can build on a preserved farm. He also complained about a rule requiring that the new house be home to a real farmer.

State officials seem to have little sympathy. The Farmland Preservation Program is designed to help the state's agricultural industry stay viable, and the auction program - in which the state buys farms, strips them of their development rights and sells them at a discount - was designed to allow farmers to pick up land for cheap.

Greg Romano, executive director of the State Agricultural Development

Committee, which runs the Farmland Preservation Program, said a task force has been formed to consider crafting rules that would make auctioned farms less attractive to nonfarmers.

"It's something that we're concerned about," Romano said. "It may require a statutory change."

The federal Farm Service Agency sells foreclosed farms, offers loans and grants to first-generation farmers, and the state is looking at whether those efforts are worth imitating.

Thompson opposed the idea.

"What if someone's organic this and save-the-world that and doesn't have any money, all of a sudden the state's supposed to give him the land for free or for next to nothing?" Thompson asked. "That's not how our economy works."

The farm auctions have been around since 1990 but picked up speed in 1999, a year after voters approved spending about \$3 billion to buy land for preservation. There are now several auctions a year.

The land comes with a deed restriction prohibiting any substantial construction, and though all deeds are different, it would generally be very difficult to have the restrictions lifted, experts said. Romano said it would take a vote by the county or the state Agricultural Development Committee - and possibly even a vote by the Legislature - to remove the restriction.

One farmhouse is allowed on each farm. The rules vary from farm to farm, but usually they prohibit the owner from building a house bigger than 3,500 square feet, not including unheated space like a porch or a garage. In some areas, bigger houses are allowed.

If an owner builds a new house, someone who actively farms that acreage must live there.

It is those rules Thompson wants changed. But that is not because he wants to build big houses on his farms, he said. Rather, it is because the rules are unfair to farmers. For example, he believes the rules as they are currently written would make it hard for a retired farmer to live in his farmhouse.

Nevertheless, he did defend the idea of gussying up a preserved farm with a nice house, even if the resident is not a real farmer.

"What if it's more green acres than farming, what the hell's the difference occasionally?" Thompson asked. "One house, big deal."

Thompson got into the land speculation business in 1958, basing his office in Princeton and buying up land in Central Jersey.

"I figured New York and Philly would meet in Princeton, and it seems to have worked," Thompson said.

Thompson has at times claimed to be the largest private landowner in the state. He says the average length of time he holds a property before selling it is 20 years.

In addition to frequenting the auctions, Thompson has sold the development rights for two other farms he owns to the state Farmland Preservation Program and has applied to preserve six more.

Thompson said he himself lives on a preserved farm, as does his ex-wife and two children. Another of his sons also owns one, he said.

"I call it the three P's: peace, privacy and protection," Thompson said. "If you like being in the middle of nowhere, it's a less expensive way."

If a token amount of farming is done on a farm, the land is taxed at a very low rate.

All of this - wealthy people buying preserved farms and paying low taxes designed for farmers - perverts the state's effort to subsidize farming, Dudas said.

And at the auctions, the guys in pickups with dirt under their fingernails cannot compete with land speculators who roll up in Rolls- Royces, Dudas said.

"It makes the farms inaccessible to people who farm for a living if they're up against people with assets from other walks of life," Dudas said.

Again, Thompson was unmoved. The auctions are good fun, and his involvement pushes the bids higher, pouring more money into the program, he said.

"I get a big kick out of bidding people up whether I get them or not," Thompson said. "I'm helping out. At least that's what I think I'm doing. Maybe I'm a meanie, who knows?"

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WITH ITS HIGH-PRICED LAND, JERSEY'S NOT FERTILE GROUND

FARMERS FIND IT HARD TO PUT DOWN ROOTS WHEN ACRES ARE UNAFFORDABLE

By Alexander Lane, Star Ledger, August 14, 2006

Jim Kinsel and Sherry Dudas, proprietors of Honey Brook Organic Farm, aren't usually prone to theft.

Nearly 3,000 customers bought shares of their weekly harvests this year, ensuring they will prosper whether or not their crops do.

Nevertheless, the evidence is on their office wall.

"Clayton Farm by Toll Brothers," says the sign.

Kinsel stole it from in front of a subdivision under construction, the latest of many to sprout up on a farm they coveted. It was a futile act of protest, part jest and part anger.

As successful as Kinsel and Dudas are - and 60-acre Honey Brook, in Mercer County, is the nation's largest practitioner of an increasingly popular business model called community-supported agriculture - they're tenants.

After 17 years of farming, they still can't afford to buy a farm in New Jersey. And if they can't, they wonder, what farmer can?

So in addition to being farmers, Kinsel and Dudas are activists these days. They met with an aide to Gov. Jon Corzine early this month and argued that the state should find a way to make farmland more affordable for farmers.

"I think the story of the American dream, if that's what you want to call it - the American farm dream - is really over in New Jersey," Kinsel said. "You don't see some guy in his 20s renting land, growing cabbage, selling them, building a business and buying a farm. You don't see that today."

Builders are the couple's prime competitors for land. But what particularly irritates them is when farms protected from development by the state's Farmland Preservation Program get turned into country estates.

The program, created in 1981, was intended to strengthen the agricultural industry, but Dudas, Kinsel and other critics say land speculators are increasingly the beneficiaries.

Last week, the object of their ire was a 151-acre preserved farm in the Monmouth County borough of Roosevelt, which is on the market for \$2.9 million. What makes the price so high is an 11,000-square-foot mansion the owner is building on a one-acre lot carved out of the preserved acreage.

State law does not require farming on preserved farms. Increasingly, these farms are being purchased by deep-pocketed professionals who have no intention of seriously farming, but want the land for its rustic beauty, according to state officials, farmers and farm lobbyists.

State Agriculture Development Committee Executive Director Susan Craft, who has overseen the Farmland Preservation Program since early 2005, said making preserved farmland more affordable for farmers was the "next big issue" she wanted to tackle. But she cautioned that strict farmers-only requirements could make it more costly to preserve farms, since the state would likely have to increase the amount it paid for development rights.

Craft's predecessor, Greg Romano, in an interview last week, criticized his old agency for ignoring a host of recommendations that he and a farmland-affordability task force wrote just before he left the job in late 2004. The recommendations ranged from requiring some agriculture on preserved farms to banning all but bona fide farmers from buying the land.

Helen Heinrich, a consultant for the Farm Bureau, the chief agricultural lobbying group in the state, said "everybody is becoming more concerned about farms becoming estates," but echoed some of Craft's concerns about changing the rules.

Both Toll Brothers, a major residential builder, and the New Jersey Builders Association declined to comment, though builders in the past have argued the state's many land-preservation programs make housing less affordable.

As the debate plays out, Kinsel and Dudas have become increasingly vocal in sharing their perspective.

They said their success has given them a good deal of money to spend on a farm - in 2003 they bid close to \$1 million for 123 acres in Cranbury - but land speculators, estate seekers or property-rich farmers looking to expand always seem to have a bit more.

"When we call Realtors, I have to lie," Kinsel said. "I tell them I want it as a family retreat, or an investment. They lose interest if you tell them you're a farmer."

One farm they admired in the Middlesex County town of Cranbury was purchased by Earthbound Farm, a giant organic grower based in California. The company built a warehouse on it.

LOOKING BEYOND JERSEY

So Kinsel and Dudas have expanded their search out of state.

Leaving would mean abandoning their home state and the largest membership of any of the country's 1,200 or so community-supported farms, and starting over far from the prosperous Princeton area.

"It would be like going from being a rock star on top of your game to playing Club Bene in Sayreville," Dudas said.

But their lease expires in three years. And even if they extend it, they would be reluctant to make improvements - paving the driveway, for example - that might outlast their tenancy.

Out of state, they see farms they can afford easily.

Last weekend they drove to Maryland, where farms twice the size of theirs were on sale for around \$1 million with development rights intact. They stopped in Pennsylvania, where they saw a large, picturesque farm in Amish country for around \$350,000.

In upstate New York the prices are even lower.

They don't want to leave the state. Their scouting is only half serious. But it keeps them sane, they said.

"We don't have much to look at in New Jersey," Dudas said. "If we weren't looking at something, we'd feel like we were sinking in quicksand."

FARM LIFE GOES ON

By last week the crops at Honey Brook had largely recovered from the heavy rains that abused them in June.

Members young and old, at least a few of whom are on the farm at any given time picking up their weekly shares, culled odd-looking varieties from the eggplant patch. More perplexing to some was a thick patch of teosinte, the wild ancestor of corn.

Swallowtail and monarch butterflies flitted among the cutting flowers.

Watermelons were suffering a bit, perhaps from a disease that has so far outsmarted Kinsel's chemical-free farming techniques.

But this year's blackberry crop was the best ever, Dudas said.

Heirloom tomatoes had arrived in force, nearly bursting through their skins.

Red raspberries had ripened by the middle of last week, an early arrival likely due to this summer's two strong heat waves.

Amid the activism, the farming continues.

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- **Section from “Report of the Agriculture Transition Policy Group,” Submitted to Governor-Elect Jon S. Corzine, January 10, 2006**

<http://www.nj.gov/governor/home/pdf/agriculture.pdf>

“Farmland Affordability: The increasing costs of farmland – even preserved farmland – can present a stumbling block to those in agriculture, especially young or new farmers attempting to begin or expand their operations. Notwithstanding the need for a comprehensive approach to the preservation of agriculture, one way to help address the “affordable farmland” issue is to amend the current farmland preservation deed of easement to require the lands be actively farmed rather than the current requirement that the preserved lands be kept “available for” agriculture. The price of preserved farmland is most acute in the central counties, driven up by the terms of the current deed of easement, which unintentionally permits the use of preserved farmland for estate-purposes by nonfarmers. This issue has been described and recommendations have been submitted, in a Sept., 2004 report of the Farmland Affordability/Availability Task Force (see addendum). The SADC (State Agriculture Development Committee) should be encouraged to complete its discussion and recommendations on Farmland Affordability.” (p. 4)

- **“Land Market Impacts” (Chapter 4) from A National View of Agricultural Easement Programs: Measuring Success in Protecting Farmland, American Farmland Trust and Agricultural Issues Center/Alvin D. Sokolow, December 2006**

<http://www.aftresearch.org/research/publications/detail.php?id=b939970b7b60e9da138bc9164f6ca41>

“Three generalizations emerge from this analysis: (1) Easement status does lower the market value of agricultural land, when compared to unrestricted farms. (2) The values, however, are often not low enough to be affordable for commercial agriculture, resulting in the widespread resale of easement properties to non-farmers. (3) Still, such properties remain in agricultural use after resale because of the tendency of the non-agricultural purchasers to lease the land to farmers.” (p. 27)

(The rest of Chapter 4, “Land Market Impacts,” starts on the next page.)

A NATIONAL VIEW OF AGRICULTURAL EASEMENT PROGRAMS: MEASURING SUCCESS IN PROTECTING FARMLAND — REPORT 4

DECEMBER 2006

THE NATIONAL ASSESSMENT OF AGRICULTURAL EASEMENT PROGRAMS

A JOINT PROJECT OF
AMERICAN FARMLAND TRUST AND
AGRICULTURAL ISSUES CENTER

ALVIN D. SOKOLOW
AGRICULTURAL ISSUES CENTER, UNIVERSITY OF CALIFORNIA

WITH THE ASSISTANCE OF SUZANNE HEFLIN, EVAN SCHMIDT,
JOHN SPEKA, KURT RICHTER AND MARIANA COTROMANES

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Farm Foundation

4. LAND MARKET IMPACTS

Do easements help to retain land in agricultural production? One key test is whether easement-protected land remains in agricultural use years after the transaction that removed development rights and especially after the land has been purchased by later owners. Do the restrictions that come with the easement keep future land values low enough to be affordable for purchasers who intend to continue farm production on the land? Farmer to farmer sales ordinarily are one mark of a healthy local agricultural economy, since they are a means of transferring farmland from retired owners to younger owners seeking to expand their operations or begin farming.

The challenge to affordability comes from the values created by rural land markets, which are sensitive to the potential for turning agricultural parcels into more profitable residential and other non-farm uses. In theory, because the permanent restrictions created by easements remove all development potential, market values—and hence future sales prices—should be maintained at relatively low agricultural levels (Nickerson and Lynch, 2001). In reality, there is a strong market in many of the regions represented by our sample programs for the purchase of farm parcels for rural residential use. Indeed, the very existence of easement-provided preservation increases the attractiveness of such parcels for affluent and even middle-income buyers. Even with the removal of development rights, single homesites—usually represented by an existing farm home—typically are still allowed under easement terms.

We address the issue about keeping land in agriculture by examining the resale of easement-restricted farms to later owners—persons who were not party to the original easement transactions. This breaks down into questions about value, types of purchasers and subsequent use. The analysis is restricted by limited resale information. Many of the sample programs are too new or have acquired too few easements to have developed a resale record. Consequently, we concentrate on 30 of the sample programs, generally older and more active programs, for which resale information—either systematic or anecdotal—was available from program managers in 2005.

Three generalizations emerge from this analysis: (1) Easement status does lower the market value of agricultural land, when compared to unrestricted farms. (2) The values, however, are often not low enough to be affordable for commercial agriculture, resulting in the widespread resale of easement properties to non-farmers. (3) Still, such properties remain in agricultural use after resale because of the tendency of the non-agricultural purchasers to lease the land to farmers.

Context: Land Market Trends

While the steady rise in rural land values in recent years and even decades is a widespread pattern among our sample localities, recent increases have been particularly sharp in locations within the overlapping orbits of the greater Washington D.C., Baltimore, Philadelphia and New York City areas. According to program managers representing 15 programs in this east coast region, rural land prices for development just in 2002 to 2005 shot up by at least a third and often more than doubling in all or parts of their communities. This was not a new development for long-time suburban counties such as Baltimore and Montgomery, Maryland; Suffolk, New York; and Bucks, Pennsylvania. But in 2002 to 2005 the escalation in rural land prices also suddenly affected more remote and rural counties. Located 40 miles and more from the major metropolitan centers in the region, during the three-year period these counties experienced larger increases in land prices than the more close in areas. Affected are such counties as

Caroline on Maryland's eastern shore, Washington in western Maryland, Cumberland in southern New Jersey, Adams in southern Pennsylvania and parts of Delaware.

Largely responsible has been the reduced supply of developable properties for residential use in counties closer to the metropolitan cores after decades of suburbanization, and thus the growing attractiveness of still cheaper land prices in the more remote areas. The result of this trend has been to extend urbanization further out from traditional metropolitan centers in the eastern region. As a number of program managers told us in 2005, the growth spills over county and even state boundaries. Southern Pennsylvania is affected by growth from the Baltimore area and Delaware gets spillovers from Maryland and New Jersey. Noted a New Jersey informant:

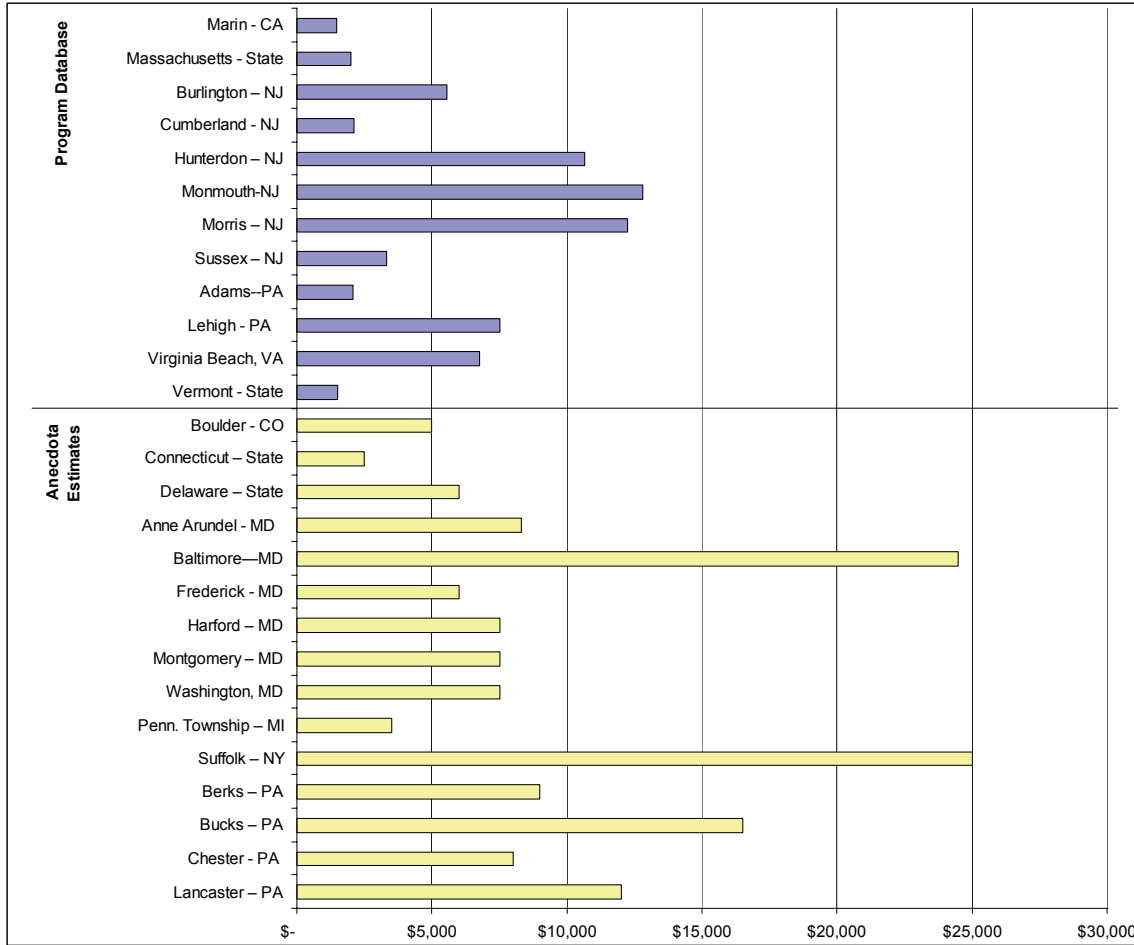
“The markets are going crazy all over New Jersey. People want to live here. Developers are building \$600,000 to \$800,000 houses on small lots and people are buying. The only affordable housing in New Jersey is in Pennsylvania.” — *program manager, New Jersey*

The consequences for agriculture are quite apparent: An intense competition for farmland, with development usually winning out over agricultural use. Also the edibility of conservation programs to continue to acquire easements on farmland is directly affected, with landowners more resistant to selling their development rights and easement costs increasing.

Resale Patterns: Volume and Price

We have some information on resales of easement-covered farms for 30 of the 46 programs in our research sample. This includes data or estimates about per acre resale prices for 27 programs. Even within this smaller sample, the quality of data varies from program to program. Unfortunately, few programs systematically track and record information on seller-buyer transactions after the initial easement acquisition. We have complete and detailed resale information for 12 programs—including all six New Jersey counties in the project sample because of that state's excellent database on local program activity. For 15 other programs, we rely on estimates of resale prices, summarized in Figures 5 and 6, from information provided by program managers in the interviews conducted in 2005.

FIGURE 5
AVERAGE EASEMENT RESALE PRICES PER ACRE SINCE PROJECT INCEPTION,
SELECT PROGRAMS



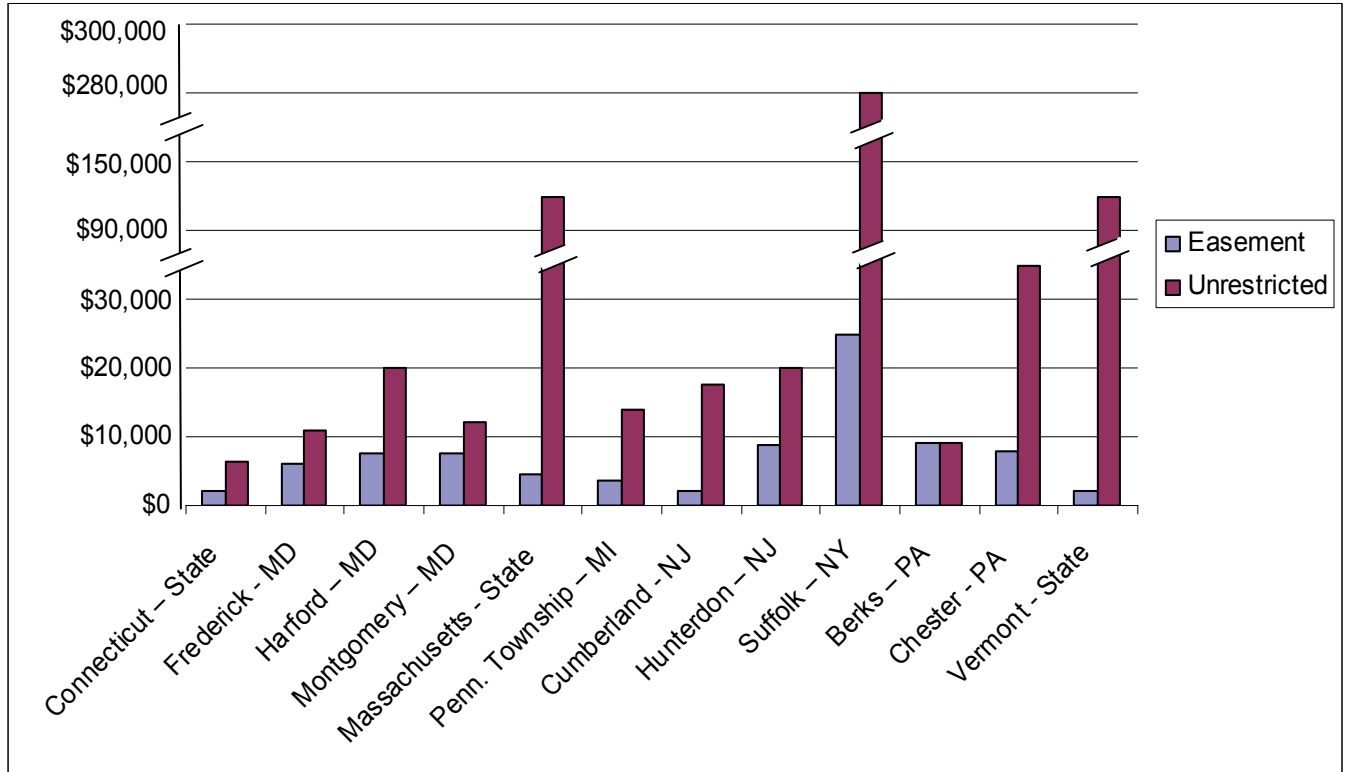
Programs with Systematic Databases

Program	Resale Years	Number of Resales
Massachusetts - State	1992 - 2005	99
Burlington - NJ	1985 - 2005	35
Cumberland - NJ	1991 - 2005	12
Hunterdon - NJ	1986 - 2005	41
Marin - CA	1987-2001	5
Lehigh - PA	1984 - 2005	14
Monmouth - NJ	1987 -2004	33
Morris - NJ	1993 - 2005	25
Sussex - NJ	1995 - 2004	35
Adams - PA	1991 - 2005	17

Virginia Beach - Va	1998 - 2005	11
Vermont - State	1985 - 2005	124

Source: Interviews and Program Database

FIGURE 6
2004 RESALE AND UNRESTRICTED MARKET VALUES



Source: Interviews

Volume. The number of easement-covered farms resold as of 2005, since the inception of the programs, varied between three and 124 per program, among the organizations for which we have this information. This is not a complete picture of ownership transfer of property, since these numbers generally include only “arms-length” transactions and ignore many ownership shifts within individual families, usually between parents and children. In any event, the significant volume of resales representing programs with relative longevity and high levels of acquisitions suggests that there is a solid market for agricultural land stripped of its development rights.

Price. As to market values, Figures 5 and 6 and other information provide these findings:

- Including both programs for which we have systematic, detailed information and those for which only estimates are available, per acre averages ranged between \$3,000 and almost \$25,000 since program began (Figure 5).
- Higher values are generated by relatively high local demand for rural property—primarily for development—and also by the presence of improvements, including residences and farm buildings, on easement parcels.
- Although we do not control for the effects of inflation over the years, the detailed data collected by programs with systematic information indicate that market values steadily increase after easements are sold. The key evidence is that per acre resale prices are usually substantially higher than the earlier easement prices.
- At the same time, resales have somewhat lower market values than comparable, unrestricted agricultural land in the same communities. Figure 6 makes this latter point, in

comparing the two sets of values for transactions occurring in 2004 for a small number (12) of programs where managers were able to provide estimates.

The key implication of the last finding is that the easements acquired by these programs have succeeded in reducing the market value of covered agricultural properties in subsequent years below the level of non-easement farms. But whether or not this means that the values are maintained at agricultural levels—justified by economic returns from farm production and hence affordable to agricultural purchasers—is a separate question.

Affordable for Agriculture?

Even though they may be less than full-market value, the resale prices of easement farms do not guarantee that purchasers intending to use the land for agricultural production can afford them. It all depends, of course, on the extent to which the new landowners can justify the purchase price on the expected economic return from farming the land.

We have estimates of affordability in relation to resale prices from program managers of 25 programs, as reported in Table 3. Only five of these respondents interviewed in 2005 said that average prices were still generally affordable for purchasers seeking to continue farm operations on easement parcels. Thirteen said that local resale prices clearly had become not affordable and seven suggested a marginal degree of affordability.

These are general patterns with many exceptions, including lower or higher than countywide or statewide average prices in some localities and frequent examples of certain agricultural operators who are able or willing to pay more for land than most farmers. Interviewees singled out operators of horse farms, vineyards and other high value agricultural enterprises as capable of paying higher prices. Some purchasers are willing to pay more to expand on easement land close to their home farms to facilitate the use of equipment and labor. The affordability threshold has increased in recent years in several communities to reflect the shift to producing higher value farm commodities; in other communities, it has declined or stayed constant because of lower commodity prices for traditional agricultural products such as grains and other field crops.

**TABLE 3
PERCEIVED AFFORDABILITY FOR AGRICULTURE OF EASEMENT PARCEL RESALES**

Program	Average Resale Price per Acre*	Generally Affordable?	Comments
CA – Marin	\$ 1,500	Marginal	Dairy and grazing land with low agricultural values
CO – Boulder	5,000	Marginal	Affordable for part-time farmers with other income
Connecticut – State	2,250	Yes	Depends on commodity and location; some successful farmers have paid \$4,000/acre
Delaware – State	7,000	No	Growers of corn and soybeans, principal Delaware crops, can only afford up to the high \$2,000s per acre
MD – Anne Arundel	8,300	No	Affordability for equine, but not grain farmers
MD – Baltimore	21,000	No	A few purchases for high value farming—vineyards, horses
MD – Frederick	6,000	Marginal	Off-farm income required for purchase
MD – Harford	7,500	No	Possibly affordable for vineyard and equine
MD – Montgomery	7,500	No	
MD – Washington	7,500	No	Farmers can go up to only \$5,000 per acre
Massachusetts – State	3,500	Yes	Diverse farm operations (vegetables, tobacco, silage) in Ct. River Valley can afford up to \$5,000 per acre
MI – Peninsula	3,500	Yes	Farmers are paying more for land because of favorable long-term prospects
NJ – Burlington	12,000	No	Farmers can afford only up to \$2,000 per acre
NJ – Cumberland	4,000	Marginal	Replacing old farm homes with much larger homes raises resale prices beyond affordability for farmers
NJ – Hunterdon	12,000	No	Affordable in some cases for nursery or equine operators; traditional farmers can afford up to \$4,000 per acre
NJ – Monmouth	14,000	No	Affordable only for equine and some horticulture; farmers moving out of the county
NJ – Morris	13,000	No	Affordable only for equine and specialty crops
NY – Suffolk	25,000	No	Affordable only for equine and vineyard operators
PA – Adams	3,000	Yes	
PA – Bucks	16,500	No	Affordable only up to \$3,000 per acre
PA – Chester	8,000	Marginal	Affordable in a few locations with favorable zoning and large clusters of protected farmland
PA – Lancaster	12,000	Marginal	High commodity values and interest of Amish and Mennonite farmers in expanding operations make prices at low end of range (\$8,000) affordable for some
PA – York	5,000	Marginal	Affordable in some cases for non-traditional farmers—operators who sell to suburban markets
Vermont – State	1,250	Yes	Large dairy operators can afford up to \$2,000/acre
VA –Virginia Beach	6,700	No	

*Approximate average price over life of program
Source: Interviews with program managers and farm advisers

The market price for farmland, and hence its affordability for agricultural buyers, obviously is location-specific. It is determined locally by the relative demand for rural land for residential and other non-agricultural uses. Where non-agricultural purchasers prevail in a market, they can bid for farmland at prices higher than less affluent farmers can afford. Thus the five jurisdictions reported in Table 3 as having affordable resales have had relatively little market interest from non-agriculturalists in recent years. They include three statewide programs (Connecticut, Massachusetts, Vermont) that cover extensive territory and with many easements located in areas remote from urban pressures. By contrast, the Delaware state program with largely unaffordable resales covers a relative small landscape that is in the path of growth pressures from the nearby Washington, D.C., Baltimore and New Jersey metropolitan concentrations.

The agricultural affordability of resold properties is also affected by different kinds of market factors in certain locations. This is suggested by spotty evidence from two of the Colorado programs in our overall sample, Routt and Gunnison counties, both areas in the Rockies that are remote from large urban centers. Here the escalation of resale prices for easement-covered and other ranches in recent years has been primarily due to the demand for recreational estates associated with resort and ski developments.

Purchasers and Uses of Resold Farms

Who then purchases easement-protected farms? And for what purposes? Following the key farmer/non-farmer and agricultural/non-agricultural use distinctions, Table 4 identifies purchaser and post-resale use patterns for the same 25 programs with affordability information in Table 3.

Purchasers. The limited affordability noted above is partially reflected in the characteristics of resale purchasers. According to local program managers and farm advisers, the purchasers are all or mostly farmers for only nine of the 25 programs. Mostly non-agricultural purchasers are found in 10 programs, while there are split patterns in the six other programs.

We would expect a more dominant presence of non-agricultural purchasers among these programs based on the affordability patterns indicated above, in which “unaffordable” programs outweigh “affordable” ones 13 to five (with seven marginal). What keeps down the proportion of non-agricultural purchasers in these numbers is that our information on resale purchasers takes in all resales over time for most programs, while the estimates of affordability are more current as indicated in 2005 interviews. The overall trend as noted in the recent interviews is toward larger numbers of non-agricultural purchasers.

**TABLE 4
RESALE PURCHASERS AND POST-RESALE USE, SELECT PROGRAMS**

	Purchasers	Use of Property
CA – Marin	Mostly non-farmers	Leased to farmers for grazing
CO – Boulder	Mostly part-time farmers	Agriculture in some cases, especially where adjacent to purchasers' existing farm operations
CT – State	90-95% farmers	Continued traditional agriculture; non-farm owners lease to farmers
DE – State	Farmers and non-farmers	Continued traditional agriculture, leased to farmers, some residential
MD – Anne Arundel	Mostly non-farmers, especially equine owners	Equine and leased to farmers
MD – Baltimore	Mostly non-farmers; few high value farmers	Horses, high value agriculture, leased to farmers, some open space
MD – Frederick	Farmers and non-farmers	Continued traditional agriculture, some equine, leased to farmers
MD – Harford	Non-Farmers	Leased to farmers or equine
MD – Montgomery	Mostly non-farmers	Leased to farmers
MD –Washington	Farmers and non-farmers	Continued traditional agriculture; leased to farmers
MA – State	Mostly farmers	Continued traditional agriculture
MI – Peninsula	Farmers	Continued traditional agriculture—orchards
NJ – Burlington	Mostly non-farmers	Leased to farmers
NJ – Cumberland	Farmers, non-farmers, and environ groups	High value agriculture (nurseries, etc.), leased to farmers, some open space
NJ –Hunterdon	Mostly non-Farmers, few nursery operators	High value agriculture, equine, some not farmed
NJ – Monmouth	Mostly farmers, but increasingly equine and non-farmers	High value agriculture, equine, and leased to farmers
NJ – Morris	Half farmers, half non-farmers	Equine, specialty crops, leased to farmers
NY – Suffolk	Farmers and non-farmers	High value agriculture—sod, nurseries, vegetables, vineyards; some leased to farmers
PA – Adams	Mostly farmers	Continued traditional agriculture, equine, some leased to farmers
PA – Bucks	Non-Farmers	Leased to farmers
PA – Chester	Mostly farmers, 40% same family	Increase in high value agriculture, including vineyards, horse breeding, direct marketed beef
PA – Lancaster	Mostly farmers, including relocation from other counties	Continued traditional agriculture, including high value commodities such as poultry
PA – York	Mostly farmers	Continued traditional agriculture and some high value commodities
Vermont – State	Mostly farmers, many same family	Continued traditional agriculture—dairy, hay
VA –Virginia Beach	Mostly non-farmers	Equine, leased to farmers

Source: Program manager and farm adviser interviews

Increasingly, easement-protected farms in the sample programs are being purchased by affluent persons with non-agricultural purposes in mind—rural homesites in most cases, but also for recreational pursuits such as hunting, open space enjoyment and for long-term speculation in a few cases. Several versions of this were described by program managers:

They have all been wealthy individuals who made their money elsewhere and now want a pretty place to live. Probably half of them have torn down the old farmhouse and barns and built McMansions, which are allowed under our easement. — *program manager, Maryland*

There are folks who are affluent and want the lifestyle of running a vineyard and having their residence in the middle of the country. They are not serious farmers—they don't need the income from the vines, but they like the idea. — *program manager, New York*

Resales are primarily to individuals who own horses. They may board others in addition to keeping their own. Horse owners are able to afford land; grain farmers are not. Horse owners want the land and are willing to pay for it. — *program manager, Maryland*

Easement language in at least two states attempts to confine resales of restricted properties to farmers. The programs in Vermont and Massachusetts have option to purchase requirements, in which the state can purchase easement-covered farms at agricultural values when resales to non-farmers are proposed.

Post-Resale Agricultural Use. Significantly, the shift in ownership does not take the land out of agricultural production in the great majority of cases, even when sold to non-farmers. Table 4 notes an almost universal continuation of farming after resales in the experiences of the 25 programs, whether the purchasers are farmers or non-farmers. A few purchasers who were not previously involved in commercial agriculture use the purchase as an opportunity to enter the business, usually as a part-time or enjoyable retirement enterprise. But typically the non-farmers turn around and lease their land to farmers for the production of commercial crops and animals.

Generally these parcels are rented out as cropland to nearby farmers. The owner lives in the house, has a couple of horses, and rents the rest of the land to nearby dairy and crop farmers. — *program manager, Maryland*

There are multiple incentives for landowners to do so, according to the program managers and farm advisers interviewed in 2005:

- Leasing to farm operators gives new landowners a way to manage their large rural properties beyond the confines of their homesites. In effect, they turn over stewardship for the larger open space area to the operator, including responsibility for controlling weeds and other unwanted elements.
- It retains the property tax benefits of keeping land in agriculture. To keep eligibility for participation in the state's preferential assessment program for farmland, Maryland, for example, requires a minimum income of \$2,500 from agricultural commodities.
- Easement language in some programs requires that participating parcels be available or used in agriculture.

- Finally, there are lifestyle considerations—the attraction of having a home surrounded by green fields or orchards. For owners who use easement land for hunting, the production of certain kinds of crops is a compatible use since left-over crop residue is beneficial to wildlife.

Resales are often accompanied by a shift in commodities grown. To justify purchase costs which exceed what traditional farmers can afford, the trend is to higher value commodities—moving, for example, from grains and pasture to vegetables, nurseries, sod, specialty crops and horses.

The increase in agricultural land devoted to equine use, a major factor in the post-resale commodity shifts of 11 programs in the sample, is a contentious issue in some communities. Is the boarding and feeding of horses truly a commercial agricultural enterprise or just a lifestyle convenience? While in some cases the keeping of a few horses is little more than a family hobby, in other cases it involves substantial economic enterprises including breeding, stabling and the use of significant agricultural acres to grow feed. Noted one of our interviewees:

The state is contemplating changes to the program allowing boarder horse activity on easement restricted property—currently limited to sales and breeding only...The biggest buyer in the farmland market is the equestrian buyer, not the production agriculture buyer. I think that equestrian buyers are better classified as an ag service—therapeutic riding, training, sporting. But certainly if these uses are allowed on restricted property, the value of resales will increase.” — *program manager, Pennsylvania*

At least one agricultural easement program in our sample makes a systematic effort to connect purchasers with potential agricultural lessees. When an easement property is resold to a non-farmer, the manager of this Maryland program meets with the new owner to go over the terms of the easement. As part of this process, the new owner is encouraged to lease to an experienced farmer to manage the property and is provided with a list of producers in the vicinity.

Leasing Arrangements

Few if any non-farm buyers of easement-protected properties had difficulty finding farmers to rent their land. In fact, there is a steady demand among farmers for leased agricultural land in most of the communities in the sample, either to expand existing operations or begin farming on their own as new operators. Respondents representing 17 of the 25 programs listed in Table 4 noted a significant degree of leasing for resold easement parcels. This information comes from county farm advisers also interviewed in 2005 as well as from program managers.

The incentives for engaging in leasing are obviously different for renter-operators from those for owner-non-farmers that are noted above, but just as clear and compelling. For renters it is a much less expensive option to expand operations or begin farming than purchasing the land outright, considering the steady escalation in farmland values in most of the sample jurisdictions for both restricted and unrestricted land.

Leasing allows people who need large plots for their operations to expand. Typically grain farmers need a lot of land. Also dairy farmers who need to grow silage and need land for disposal. — *farm adviser, Pennsylvania*

It provides a place for a young producer who does not have the equity to buy land yet, to get started. It gives someone starting a chance to get cows and machinery paid for, and then look to buy land in the future. — *farm adviser, Maryland*

Established farmers who expand the land base of their operations through leasing are able to make more efficient use of machinery, management and labor, thus adding to their profit margins. It is beneficial for grain, other field crop and dairy operators who require a great deal of land—for growing feed and disposing of wastes in the case of dairies—but not generally for farmers with tree crops and vineyards where smaller plots are more viable.

Specific leasing arrangements for resold easement land vary considerably in price, longevity and other terms, according to our interviewees. Expressed as dollars per acre per year, rental prices for easement parcels in our sample jurisdiction in 2005 were as high as \$500—for tobacco and other high value crops in Connecticut. Per acre rentals at \$50 to \$90 per acre were more common. In some cases, however, rentals were cost-free or owners actually compensated the renters to manage their properties—without sharing in the commodity income—typically in return for certain maintenance and conservation practices. Most arrangements involve written contracts, although simple handshake agreements are not uncommon.

Leasing is a common agricultural practice in most of our sample jurisdictions, one that extends widely to both unrestricted and restricted farms. Indeed, it is widespread throughout the nation. In 1997, for example, 41 percent of all the farmland in the United States was operated by renters, including both farmers who owned no land and farmers who both owned and leased land (Economic Research Service, 2002).

Considering the extensiveness of local leasing, whether or not the agricultural property is under easement has little bearing on rental prices, according to interviewees. However, easement status often affects the duration of leases. Because of their permanence, easement-covered parcels are more likely to involve longer-term leases than unrestricted farms subject to development in the near future. Five-year or longer arrangements may replace year-to-year leases. Longer-term deals have decided advantages for renters, allowing them to invest in equipment and other improvements.

The easement program has probably had some positive affects on the availability of farmland for rent... The local farmer who rents the easement land now has the security to farm for a long time, he can plan his operation better, make financial decisions that affect the entire operation knowing his land base will not change from year-to-year. If he knows he can rent 3,000 acres for the next five to 10 years, he may buy that new combine, etc. — *program manager, Pennsylvania*