

Environmental Finance Center Charrette I
Financing Rural Land Conservation in the Shenandoah Valley

November 16, 2006

Augusta County Government Center

About 45 people attended, including representatives from Augusta, Clarke, Frederick, Page, Rockbridge, Shenandoah, and Warren counties.

“It’s not whether the public pays for land conservation, but WHAT it pays for. If you don’t pay for land conservation, you will end up paying for development.” Pat O’Connell

Advice:

- Leverage the funding (ex: in Wake County, NC, for every \$1 local another \$3 leveraged)
 - Partner with everybody is the only way to do it. Work with local land trust.
 - Explain to citizens What’s In It for Me (WIFM)
 - Sell it to citizens based on fiscals (ex: PDR costs less than building a new high school)
 - Find champion in the General Assembly, to give localities more leeway
 - Strengthen base zoning regulations: PDRs and TDRs rely on very strict regulation
 - Work with landowners on financial planning, such as bargain sale. It’s a retirement issue
- Use supporting data: American Farmland Trust has cost data and executive summary of community costs; Trust for Public Land website has great language

State and Bond Financing (David Carter, Southeast Finance Director, Trust for Public Land)

State Issues: The key to local program is having a statewide program. There is a direct correlation between strong state funding and local program success. Substantial state investment is critical to local, and it must be stable in order for it to be an incentive for local programs.

Virginia, as a Dillon Rule state, has more barriers than other states. He recommends enabling legislation to allow communities to do what they think they need. If they want to tax themselves, why not? New Jersey got enabling legislation and 21 of their 21 counties have opted to use it.

Strong Public Support: Recent elections show how popular land conservation is with the public: of 128 ballot measures in 23 states; 99 of them passed, raising \$5.73 billion for land conservation. In Virginia from 1998 to 2005, 14 ballot measures statewide and local and 13 of these passed. See website Land Vote Conservation Almanac for details.

State spending for land conservation: Ranges from Florida @ \$24 / person (up to \$250/ person in resort locales to \$8 / person in rural) to South Carolina @ \$0.48. Others: MD: \$20 / person; PA: \$7; NC \$4; VA: \$1.93 (not sure if this includes the tax credit program); WV \$0.97 cents; SC: \$0.48 cents. NC is working on a government obligation bond; its license plate tax

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goes to natural heritage and a recordation tax goes to 1) parks and recreation, 2) coastal, 3) local government match. Florida is very conservative, but voted to tax themselves \$6 billion.

Long-Term Financing Programs - Evergreen (Pat O'Connell)

He used to sell bonds for public finance of roads; now he consults to local governments on financing land conservation. Borrowing for preservation makes sense for reasons unique to land conservation. Land preservation requires a sustained effort. You need lots of resources in the long term but your time to act is now, in the short term. Do it (make the purchases) now because you won't have that opportunity later and won't be able to afford it later. Borrowing lets you focus on the short term. If land values are rising faster than interest rates, then you'll be ahead by borrowing.

Land Conservation Bonds are good for a community's bond rating. It shows commitment to quality of life, vision of the leaders. There is a high correlation between communities that have land conservation programs and those with the highest bond ratings.

Virginia PDR Status

JLARC Committee on PDRs is evolving into general land preservation. Localities need to be in line if Virginia does put out matching funds. "Luck follows the prepared." Several PDR templates have been developed (VDCACS).

TOOLBOX

Need different tools for different landowners. Money is not the only motivating factor. Those who sign conservation easements obviously are motivated by something other than money

Bonds – have to go to voters.

Loans – ex: Virginia Clean Water revolving loan fund (SRF) from EPA grants. Traditionally used to fund Sewage Treatment Plants, but now can also do land conservation as long as there's a water protection component. Offers 20-year loans way below market rate. Needs a pioneer. Hasn't really been used yet. Locality would have to show how it would pay back the loan (such as a county putting it in its budget). Would require BMPs. Administered by DEQ and Virginia Resources Authority (Contact: Walter Gill).

Multiple Options for landowners. On average, 60% of landowners want cash. The other 40% do not want cash because of capital gains and would prefer a business income stream.

Bargain Sale – use competent appraiser and stay up with state and federal law changes. Qualified farmers (those receiving more than 50% of income from farming) can deduct 100% of easement value; but beware that taking cash PDRs or selling credits counts as nonqualified income and can bump the farmer out of qualification.

IPA (Installment Purchase Agreement) – 25 years of interest with payout at the end. Interest (about 5% per year). No tax on these payments.

Creative transactions. There is no capital gains tax until the property is sold and when it's sold the cost basis also transfers.

1031 Exchange can help farmer. The farm is then sold to another farmer who wants to begin or expand farming operation.

Government Pension for Landowners – Section 115 Trust. Under IRS regulations could use as a model. Do pensions for land preservation.

EDUCATION NEEDED

Board of Supervisors / Leadership

- Educate on complete package: financial, fiscal benefits, economic value, environment. Fauquier took two years to education, but now don't have time. Have to do it in the next few years.
- Educate the Board on the whole package. Sometimes there is a lack of trust between Boards and NGOs. Suggest getting together and focusing on interests, not positions. Find mutual and common goals. Need strategy for educating Boards, and people to elect boards.
- Land trust can help give accountability. Sometimes land trust can be a bridge when landowners don't trust the government.
- Strategies: A Task Force can look into the development of programs to preserve farmland. Survey citizens to find out support. Talk to Farm Bureau and civic groups.
- Do a build out analysis – can show existing lots or lots allowed by zoning

Pick your messenger as well as message

- The environment you educate people in has to be comfortable (their environment). Use a good messenger with a clear message. Go to their meeting. Same thing for farmers
- Work with VACO. Tell your local government officials what to bring to VACO. There's broad interest in land conservation: at NACO conference, the land conservation session was overflowing.)
- Work with land trusts.
- Residential development lobby will always outspend you. Need to make them part of the solution.
- Developers ARE the stakeholders. Land development regulations are critical. Developers go with the least resistance.

Farmers - It's the farmers who vote it down. These arguments by farmers are not new. At some point in their life, they feel trapped. Not surprising PDRs are not popular with farmers. With high cost of land, more and more landowners are not farmers, and more and more farmers are renting. Ray Pickering described how in Lancaster County (PA), the farm bureau came out against PDRs, but later changed its mind.

Show Financial Cost of Development versus Cost of Preservation

- Fauquier showed how retiring 1 development right would save \$1,200 in fiscal costs.
- New York City financed its water supply much more cheaply by buying land protection around its reservoir

- Virginia Beach found that a house averaging value of \$300,000 used to pay for itself; now even a \$700,000 house doesn't pay for itself.
- Check AFT, TPL for statistics
- Costs \$40 million to build a high school. It's the opportunity cost.

Partners / Bridge Funding for Particular Projects

Reggie Hall, The Conservation Fund noted that TCF has a dual mission of conservation and economic development. They often serve as a bridge until funding gained (ex: purchased Flight 93 land until National Park Service could take over). He manages the Revolving Loan Fund. They lend to local land trusts, county boards, etc. as bridge funding at below market rates.

David Carter of the Trust for Public Land also works with local governments. TPL works on conservation 1) visioning, 2) financing and 3) transactions.

Easement Picture in the Valley - John Eckman, VCC

There are 28,000 acres in the hopper statewide with VOF, including 7,000 for the Valley. Statewide there's tremendous growth, but the real difference he's seeing is a shift towards farmers willing to do easements. VOF needs a coholder whenever easements use PTF (Preservation Trust Fund) money, to pay for costs and occasionally for some purchase. VCC often is a coholder. "No question that there's demand and interest among farm families."

Fauquier Example - Gray Coyner

Fauquier has a 30-year history in land conservation and 4 years ago started a PDR program. Started with mitigation fund from power plant. For local funding, the whole county is a special tax district. Also uses roll back taxes.

They are concentrating on working farms in the southern part of the county (whereas voluntary easements generally had been occurring in the wealthy northern section). To educate citizens, the County uses the Clarion, a special newsletter that's sent to every citizen in the county and also the extension office did its own newsletters. As in Virginia Beach, an Ag Development Office is key.

LOCAL INPUT – Financing Land Conservation

Status of programs in localities in the region - Everyone has or is considering a program.

Existing Programs:

Augusta – some funding; setting up a program

Rockbridge – program; waiting for right property for their small amount of money

Clarke – active

Considering, moving toward PDRs:

Frederick (has easement authority), Shenandoah, Page, Warren

What is the most significant barrier to land conservation?

- Political will
- It's a short-term problem but requires long-term vision. Too connected to the value of the land (long term needs; short term reality).
- Finite resources
- Definition: farmer or speculator – both can wear bib overalls
- Critical that the locality define what / where / why trying to protect

BREAKOUT SESSION

Augusta County

What they've done:

- Allocated money
- Hired Agriculture Development Director (by ordinance)
- Proposed ordinance for PDRs.
- Agriculture Industry Board (appointments soon). Goals: Preserve and protect ag vitality
- Have Ag Task Force recommendations

Augusta County Strategy:

- Continue to educate elected and non-elected officials
- Develop talking points
- Communication and education among entities and programs (such as Augusta Farm Bureau, Ag Industry Board Miles, county tax staff)
- Take initiative, be proactive: ex: fund education on the issues
- Work through partnerships, ex: printing of brochures; Headwaters, Shenandoah RC&D, VCC, Farm Bureau
- Research Term Easements (get ideas from Mel and Ray)
- Educate BOS through peer process
- Ex: Ask Mel and Ray come and talk to elected officials and AIB and AFB
- Ray could suggest Lancaster County PA converttee
- Mel could suggest a real estate agent
- Miles attend PDR managers group meetings
- Continue to seek funding (outside)
- Would like more meetings like this one

Page County Strategy

- Form Task Force to look at protecting ag and forest land
- Have a Page County Steward to promote conservation easements
- Establish a PDR program on the books, even if not funding
- Get better maps (data)
- Continue Watershed planning (interested in Charrettes II and III)

Rockbridge County Strategy

- Look into dedicating roll back taxes
- Look at a meals and lodging tax (because tourism so closely related)
- Look at a real estate transfer tax
- Consider mechanism for tourism donation on sales receipts (NC uses, but it's voluntary by the businesses)
- Report to the BOS on this meeting
- Need dedicated staff to do this full time
- Do a cost of community services study
- Education – stormwater management is a huge issue and linked to land conservation
- Financial advice (like Evergreen) on retainer

Shenandoah County Strategy

- Inform and educate local and state officials
- Do a build out analysis (people are not understanding the point with cost of community services study)
- Promote vitality of agriculture (ag, not just open space)
- Relate to tourism
- Organize grassroots network to show support to the Board of Supervisors when they are faced with difficult decisions.

WRAP UP

Barriers

- Political Will
- Lack of overall education (more than boards of supervisors)
- Clear message
- Right messenger for each person who needs convincing
- Lack of direction – what / where / why
- Mindset of landowners
- Timing and price (have to act now)
- Lack of priorities
- Distrust
- Not a budget item (not part of what localities are geared to look to fund, like schools, services, etc)
- Market (private sector)