Land Access and Affordability

Changing Lands, Changing Hands Conference

Alex Wylie – Agricultural Director, Vermont Land Trust
Overview of Vermont Program

- Over 800 Farm projects and 180,000 acres conserved with $140 million in public and private funding
- Three co-holders on state-funded projects: Agency of Agriculture, Land Trust, and VHCB
- All conserved farms being farmed
- Reduces purchase price of farmland for next generation
- Can reduce long-term debt and/or allow expansion/modernization
May 2004: Vermont 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.”
One tool to protect affordability: 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. Option **not** triggered by a sale to a family member or farmer.*

2. *Buyers who are “Qualified Farmers” earn at least 1/2 of gross income from farming and are exempt from Option.

3. 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.

4. Holders have 30 days to decide to waive or give Notice of Intent to Exercise Option.
More About the Option

- Option acts as a deterrent to non-farm buyers, and gives sellers incentive to find farm buyers
- In Vermont, all but one resale of OPAV-restricted farms have been to farmers
- Option is perpetual
  - If Holders waive Option for one sale, it is still in effect for next resale
Are farmers accepting the Option?

- Farmer acceptance is high.
- Vermont has 173 OPAV-restricted farms.
- Option was voluntary, but has become the standard in Vermont.
- Today, there has to be a good reason to *not* include the Option in the easement.
How do Lenders View the Option?

• Lenders wary of further reductions in farm’s equity
• Lenders say farms conserved with Option have reduced borrowing capacity
• Lenders have subordinated mortgage to easement with Option
• Some lenders more aggressive about having loans paid off
Is the Option Working?

• Farmer demand for good land is strong; OPAV automatically waived because sale is to a farmer
• 32 resales of OPAV-restricted farms to farmers
  • 7 – first farm owned by buyer
  • 19 – additional land bought by existing farmers
  • 6 – moved existing operation
Affordability and Configuring Farm Conservation Projects

- Vermont’s Farmland Conservation Program historically included housing and farm building
- Houses are biggest threat to affordability of conserved farms
- Adopting new affordability goal resulted in move to “bareland” configuration for farm projects (i.e., excluding infrastructure)
- However, housing on farms is often important to the long term viability of the farm
- Rethinking change to preference for bareland configuration, now configuring projects on case-by-case basis
How to keep housing affordable & available for farmers?

- Carefully locate additional housing rights so less likely to have farm convert to an “estate” type property
- Restrict size of new houses
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
- Possible limited development and/or conservation buyer of non-ag. Land
- VLT uses public RFP process to find and choose the farm buyer
- VLT assists beginning farmer with business planning and acquiring financing
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