
California Farmland Conservancy Program

Focus on Farmland



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Newsletter of the CFCP

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This edition of Focus on Farmland features:

- A recent CFCP grant to the Marin Agricultural Land Trust
- Using CFCP grant funds for fee title acquisitions
- A strategic easement acquisition near Salinas
- Federal funding for agricultural conservation easements
- An update on CFCP funding availability

Read on!

CFCP Completes First Transaction with Marin Agricultural Land Trust

The Marin Agricultural Land Trust (MALT) recently purchased an agricultural conservation easement on the 308-acre Zimmerman Ranch on the east shore of Tomales Bay. The sale of the easement by the Zimmermans to MALT will help continue a historic ranching operation. It will also prevent any future subdivision of an agricultural property with sweeping views of Tomales Bay, the Inverness Ridge, and the Pacific Ocean.

MALT purchased the easement with \$327,000 in funding from the California Farmland Conservancy Program and \$350,000 from the State Coastal Conservancy. It is the first transaction that the CFCP

has completed with MALT.

The CFCP's contribution toward this project was through Proposition 12 bond funds, which contain a provision that a minimum of 20% of the funds shall be made available to the five counties adjoining San Pablo Bay.



Zimmerman Ranch, overlooking Tomales Bay. Photo by Susan Kester.

MALT, founded in 1980, was the first land trust in the country to focus exclusively on farmland preservation. Its agricultural conservation easement program has preserved 32,000 acres on 48 family farms and ranches in Marin County.

Using CFCP Fee Title Acquisition Grants

The CFCP occasionally receives inquiries about grant funding for fee title acquisitions. In certain situations it can be advantageous for land trusts or local governments to purchase strategic farmland outright, rather than exclusively purchasing agricultural conservation easements. A typical situation is where a strategic property has been listed for sale on the open market and there is no opportunity to work with the current landowner to purchase an agricultural conservation easement. By purchasing the property outright, encumbering the property with an agricultural conservation easement, and then reselling the easement-encumbered property, land trusts and local governments can maximize opportunities for conserving strategic farmland.

The CFCP's enabling legislation authorizes the program to provide grants for short-duration acquisition of fee title to agricultural land under certain circumstances. These grants must meet the same CFCP eligibility and selection criteria as agricultural conservation easement grants, including meeting minimum matching fund requirements. The applicant must also have an acceptable appraisal of the property and easement using the "before and after" approach. Additional requirements for fee title grants are summarized below:

- Upon purchase of the property, the grantee must *treat the property as if encumbered* by an agricultural conservation easement in a form that has been approved by the CFCP. While the actual easement document need not be finalized prior to the purchase of the property, it is essential that the grant applicant and the CFCP agree upon the fundamental terms and conditions of the easement. As with all transactions, it is important for the appraiser to have complete information on all easement terms that are likely to affect valuation, such as the number of reserved home sites and any provisions that would permit further subdivision of the easement-encumbered property.
- After acquiring fee title to the property, a grantee must *re-sell the property to a private landowner within three years*, subject to a CFCP-approved agricultural conservation easement. The grantee should work to list the property for resale as soon as possible. The grantee must assure that the resale price of the easement-encumbered property reflects its fair market value as determined by an appraisal current at the time of resale.
- The CFCP requires a complete appraisal with the submission of a fee title grant proposal. The appraisal establishes the before and after value for the property and serves as the basis for the granting of funds. Depending upon the time that elapses between the original fee purchase and the actual resale of the easement-encumbered property, a *new appraisal (or an update of the original appraisal) may be necessary at or near the time of resale*. The new or updated appraisal serves as the benchmark for the fair market value of the easement-encumbered property at that time.
- Once the sale is completed, the grantee must *reimburse the CFCP Fund for its proportional share of the net proceeds of the sale*. The "net proceeds of the sale" is defined as the fair market value of the land less the value of the easement and any approved associated transaction costs.

The example on page 3 illustrates how a fee title transaction would proceed. Please feel free to contact the CFCP staff if you have any questions about fee title grant possibilities.

Sample CFCP Fee Title Grant Transaction

Grantee submits a CFCP grant application for the fee title purchase of a property with a fair market value appraised at **\$1,000,000** in its unencumbered condition. Based on the terms of an agricultural conservation easement, the property is appraised to have a restricted value of **\$600,000**, meaning the easement is valued at **\$400,000**.

The application requests a grant from the CFCP for **75%** of the fee title value, or **\$750,000**. The grantee secures funding from other sources for 25% of the fee title value (in this case, the match funding would be applied to the costs of both the underlying fee title and the easement), or \$250,000.

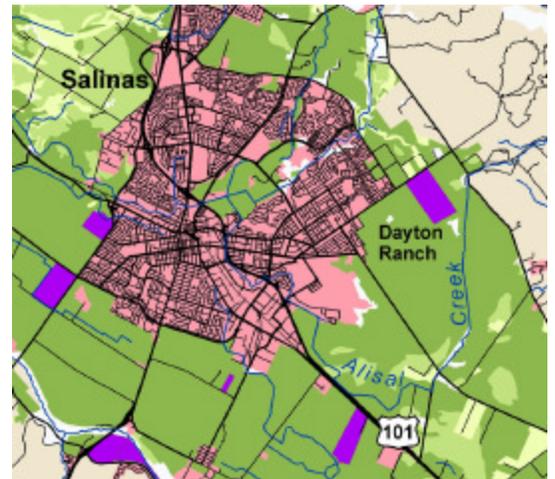
Based upon the grant, the CFCP Fund is to be repaid **75%** of the net proceeds upon the sale of the easement-encumbered property. A subsequent appraisal at or near the time of resale concludes that the property still has a restricted value of **\$600,000**, and the grantee is able to sell the easement-encumbered property to a private landowner at this price. The CFCP Fund is reimbursed **\$450,000** (representing **75% of the sale price**). The net effect of this grant is that the CFCP provided \$300,000 toward the purchase of the conservation easement (\$750,000 for the original grant, less the \$450,000 reimbursement), which represents 75% of the \$400,000 easement value. The matching funding covered 25% of both the fee title and easement cost.

If provided for in the grant agreement, the grantee may also deduct specific **transaction related costs** prior to reimbursing the CFCP. For the purposes of this example, if these authorized transaction costs were **\$20,000**, the CFCP Fund would be reimbursed **\$430,000**, representing 75% of \$600,000, less the \$20,000 in transaction costs.

Strategic Salinas Valley Farmland Protected

In July, the Monterey County Agricultural and Historical Land Conservancy closed escrow on a 226-acre easement outside Salinas, where much of the farmland is being developed to house a growing population. The farm, known as the Dayton Ranch, still grows lettuce, strawberries and broccoli, but the view has changed. Once there was agriculture as far as the eye could see; now, the Salinas city limits are only an eighth of a mile to the east. There is only one 400-acre parcel between the farm and Salinas, and houses are being built on 200 acres of that property.

The transaction was completed with grants from the CFCP and the federal Farmland Protection Program. Due to local weather patterns, the Salinas Valley is one of the few areas of the country that is suitable for lettuce and other vegetable production during the summer months. The Monterey County Agricultural and Historical Land Conservancy, founded in 1984, has completed 34 projects that protect more than 11,000 acres of agricultural land.



Dayton Ranch, along with other easements held by the Monterey County Agricultural and Historical Land Conservancy, appear in purple. Map produced by the Department of Conservation's Farmland Mapping and Monitoring Program.

Federal Funding Update

The federal Farm and Ranch Lands Protection Program (formerly known as the Farmland Protection Program), announced in April that \$2.48 million is available for projects in California this fiscal year. This is approximately the same amount that California received last year, when approximately \$50 million was available nationwide for FRPP. Originally, \$100 million was to be available this year for grants. However, funding was diverted from FRPP to cover administration costs of FRPP and other Farm Bill programs – including the Conservation Reserve Program and Wetlands Reserve Program – thereby reducing the amount available for FRPP to \$70 million. In addition, the applicant pool has increased: 44 states are now participating in the program, up from 32 states last year.

A final rule regarding the program was issued in May. In addition to changing the name of the program, the rule sets forth the policies to be used from now on to implement the program. The final rule can be accessed at: http://www.nrcs.usda.gov/programs/farmland/2002/pubntcs/frpp_final.html. Also, the program manual for the FRPP was recently amended. The manual provides additional guidance on program implementation and is available at: http://policy.nrcs.usda.gov/scripts/lpsiis.dll/M/M_440_519.htm.

Applications for this cycle of funding were due May 19, 2003. The Natural Resources Conservation Service, which administers FRPP, plans to announce FRPP funding decisions in early September 2003.

In Brief:

CFCP Fund Availability: As part of the 2003-04 fiscal year budget appropriations, the CFCP has received \$10 million in funds through Proposition 40 (the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Bond Act of 2002). This is the first allocation of Proposition 40 funds to the CFCP. All non-restricted Proposition 12 funds under the CFCP have been committed.

On August 13, the Wildlife Conservation Board approved the proposed guidelines for the **Rangeland, Grazing Land and Grassland Protection Program** and authorized staff to proceed with implementing the program, including distribution of the application package. The program will provide grant funding for the purchase of conservation easements. Visit <http://www.dfg.ca.gov/wcb/Rangeland.html> for details.

The **2003 Land Trust Alliance Rally** will be held in Sacramento, CA, October 16-19, 2003. For more information visit <http://www.lta.org> or call 202-638-4725 x340. In addition to the conference sessions, events include pre-conference seminars, field trips, and a "California Day," designed to discuss important regional and statewide issues. CFCP has funded some scholarships for land trusts involved in agricultural land conservation; contact LTA for scholarship availability.

We hope you've found this issue of *Focus on Farmland* useful and informative. Please contact us with any questions or ideas you have for future editions. Feel free to forward this email to other interested parties.

If you wish to be added or removed from this mailing list, please reply to cfcpc@consrv.ca.gov.

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