



*VIRGINIA DEPARTMENT
OF AGRICULTURE AND
CONSUMER SERVICES*

OFFICE OF FARMLAND PRESERVATION

ANNUAL REPORT

By:

Sandra J. Adams
Commissioner of Agriculture and Consumer Services

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EXECUTIVE SUMMARY

This report presents the primary accomplishments of the Office of Farmland Preservation (OFP) for the period of December 1, 2016 – November 30, 2017.

Significant accomplishments for OFP during this reporting period include the following:

- Continued to work with key agriculture, conservation, and government partners to refine the allocation process for state matching funds to local purchase of development rights (PDR) programs;
- Allocated \$500,000 in new state matching funds to six local PDR programs;
- Worked with local PDR programs to permanently preserve 1,540 acres of working farm and forest lands in four localities. OFP provided \$704,708 of the \$1.61 million in total purchase price and transaction costs paid for these easements;
- Delivered eight workshops/presentations to a wide variety of audiences. Topics included PDR programs, farmland preservation tools and techniques, conservation easements, farmland loss data, the Virginia Farm Link program, and the Virginia Century Farm program;
- Continued to oversee the Virginia Farm Link database. During the reporting period, 36 active farm owners received 44 individual requests from nine active farm seekers interested in discussing various transition options;
- Allocated up to \$25,000 to Virginia Cooperative Extension (VCE) to reimburse VCE for six workshops designed to help farm families and professional service providers transition farms and farming operations and to create a forestry land transition workbook entitled “Generation NEXT: Keeping Your Woodland Intact, In Forest and in Your Family’s Hands”, which is intended as a companion to the “Planning the Future of Your Farm” workbook; and
- Continued collaboration with the Virginia Farm Bureau Federation on the management of the Certified Farm Seekers Program. During the reporting period, three farm seekers were certified and several programmatic adjustments were made.

OVERVIEW

Section 3.2-203 of the Code of Virginia requires the Commissioner of the Department of Agriculture and Consumer Services (VDACS) to submit a written report on the operation of the Office of Farmland Preservation (OFP) to the chairmen of the House Committee on Agriculture, Chesapeake and Natural Resources and the Senate Committee on Agriculture, Conservation and Natural Resources by December 1 of each year.

The following are the specific powers and duties of OFP as established in § 3.2-201 of the Code of Virginia:

- “1. To develop, in cooperation with the Department of Business Assistance, the Virginia Farm Bureau Federation, the American Farmland Trust, the Virginia Land Conservation Foundation, the Virginia Outdoors Foundation, the Virginia Association of Counties, and the Virginia Cooperative Extension: (i) model policies and practices that may be used as a guide to establish local purchase of development rights programs; (ii) criteria for the certification of local purchase of development rights programs as eligible to receive grants, loans or other funds from public sources; and (iii) methods and sources of revenue for allocating funds to localities to purchase agricultural conservation easements;
2. To create programs to educate the public about the importance of farmland preservation to the quality of life in the Commonwealth;
3. To provide technical, professional, and other assistance to farmers on matters related to farmland preservation;
4. To provide technical, professional, and other assistance to local governments interested in developing additional farmland preservation policies and programs. Such policies and programs shall include (i) use value assessment and taxation pursuant to §§ 58.1-3230 and 58.1-3231; (ii) transfer of development rights pursuant to Article 7.1 (§ 15.2-2316.1 et seq.) of Chapter 22 of Title 15.2; (iii) agricultural and forestal districts pursuant to Chapter 43 (§ 15.2-4300 et seq.) of Title 15.2; and (iv) establishment of local lease of development rights; and
5. To administer the Virginia Farm Link program established pursuant to § 3.2-202.”

In addition, § 3.2-201 was expanded in 2008 to include the following language regarding the allocation of state matching funds to local purchase of development rights (PDR) programs:

“State grants shall be distributed to local purchase of development rights programs under policies, procedures, and guidelines developed by the Office of Farmland Preservation. In general, for each \$1 in grant moneys awarded by the Office, the applicable local purchase of development rights program of the county or city shall be required to provide a \$1 match. However, as part of these policies, procedures, and guidelines developed by the Office, the Office shall include incentives that recognize and encourage counties and cities participating in use value taxation pursuant to Article 4 (§ 58.1-3229 et seq.) of Chapter 32 of Title 58.1.”

In establishing OFP, the General Assembly created a program to address two challenges that threaten the future viability of Virginia’s agriculture industry sector. The first of these

challenges is an aging farm population coupled with the difficulty young prospective farmers face when seeking to enter the profession. The average principal farm operator in Virginia is 59.5 years of age.

The second challenge relates to the loss of farm and forest land to developed uses in Virginia. In 1960, 13.5 million, or 54 percent, of Virginia's approximately 25 million acres was classified as farmland. In 2012, the total was 8.3 million acres, or 33 percent, a decrease of 5.1 million acres, or 21 percent, of farmland in only 52 years.

According to the Farmland Information Center, a public/private partnership between the U.S. Department of Agriculture (USDA) Natural Resources Conservation Service and American Farmland Trust, Virginia lost an estimated 59,100 acres of agricultural land to developed uses between 2002 and 2007. The loss of agricultural land slowed to an estimated 39,600 acres between 2007 and 2012. Overall between 1982 and 2012, Virginia lost an estimated 497,300 acres of agricultural land to developed uses. This data is from the 2012 National Resources Inventory conducted by USDA. A similar trend occurred with rural land overall. When looking at agricultural land, forestland, and other rural land combined, Virginia lost an estimated 254,900 acres directly to developed uses between 2002 and 2007, an estimated 116,100 acres directly to developed uses between 2007 and 2012, and an estimated 1,351,000 acres directly to developed uses between 1982 and 2012.

The 2012 Census of Agriculture conducted by USDA National Agricultural Statistics Service also captures the change in land used for farming during the same time period, though these data do not illustrate whether farmland was converted to developed uses, left fallow, managed for conservation, or used for other purposes. These data report that between 1997 and 2002, there was a 128,796 acre decline in "land in farms" in Virginia. This decline significantly increased between 2002 and 2007, with a 520,904 acre decline in "land in farms" during this five-year period. However, these data also indicate a significant increase between 2007 and 2012, with an additional 198,519 acres added to the amount of "land in farms." (The 2017 U.S. Census of Agriculture data will be collected from Virginia farmers between December 2017 and February 2018, with results expected to be released in spring 2019.)

While the two data sets track different information, and while the 2012 Census of Agriculture actually shows an increase in land in farms for the period between 2007 and 2012, taken together, they illustrate an increasing amount of farmland no longer available for agricultural use in Virginia over time. In many parts of the state, this loss of available farmland increases the competition for the land that remains. The result is an increase in land values, which threatens the economic viability of farms by making it harder to generate the income needed to pay for the land from farm income. This loss also results in increased fragmentation of the remaining farm and forest land. This fragmentation places additional pressure on farmers and foresters who now face a public that is increasingly divorced from production agriculture.

ACCOMPLISHMENTS

The following are the accomplishments of the office during December 1, 2016 – November 30, 2017:

ADMINISTERING PDR MATCHING FUNDS

Since its establishment in 2007, OFP staff has worked with local governments, farm and conservation organizations, and other interested parties to establish local purchase of development rights (PDR) programs. PDR programs compensate landowners that permanently preserve their land by voluntarily placing a perpetual conservation easement on the property. Twenty-two local PDR programs exist to date in Virginia, six of which have some level of current local funding available (see Appendix 1).

OFP worked with key stakeholders to develop a two-part certification process for the use of state PDR matching funds. The first part was a certification of the amount of local matching funds that the locality had available for its PDR program. The second part was an application to certify the elements of the local PDR program based on *A Model Purchase of Development Rights (PDR) Program for Virginia* developed by the State Farmland Preservation Task Force in 2005.

During the fiscal year (FY) 2017 state matching funds grant round, OFP allocated \$500,000 in new funding. Localities had until November 18, 2016, to submit their fiscal and program certification forms. Six localities met the fiscal and certification deadline for FY 2017 funding. These six localities certified that they had a total of approximately \$16.56 million in non-state funding (\$4.02 million in FY 2017 and \$12.54 million from previous years) available to match state funds. The allocations for FY 2017 were awarded to localities in January 2017 (see Appendix 2).

Localities have up to two years from the execution of the Intergovernmental Agreement (IGA) between the locality and VDACS to close on approved agricultural conservation easements. Similar to the past few years, OFP gave localities with remaining FY 2015 funding until May 30, 2017, to close and record an approved agricultural conservation easement. For any locality that did not meet this extended deadline, the remaining FY 2015 funds were reprogrammed back to the Virginia Farmland Preservation Fund and will be reallocated as part of the FY 2018 allocation process. A total of \$58,076 of the original \$1.58 million in FY 2015 funding was reprogrammed from James City County.

During the reporting period, \$704,708 in state matching funds from the Virginia Farmland Preservation Fund administered by OFP was used in part to permanently protect 1,540 acres (12 easements) in partnership with four local PDR programs. The total purchase price and transaction cost paid for these easements was \$1.61 million. Since the program's inception in 2007, a total of \$11.16 million in state matching funds from the Virginia Farmland Preservation Fund administered by OFP has been used in part to permanently protect 12,941 acres (92 easements) in partnership with 15 local PDR programs (see Appendix 3).

VDACS is currently in the process of allocating the \$250,000 available in FY 2018 state matching funds and an additional \$58,076 in reprogrammed funding to local PDR programs. Five localities with a total of \$18.27 million available in local matching funds (\$6.32 million for FY 2018 and \$11.95 million from previous years) submitted their fiscal and program certification applications by the October 27, 2017, deadline.

In the FY 2016 PDR allocation round, VDACS implemented policy changes based on the recommendations of a PDR working group that met throughout 2015. These changes were initiated to better meet the intent of Va. Code § 3.2-201(B) and to discourage localities from applying for state matching PDR funds that they do not plan to use in a timely manner. The implemented recommendations include the following changes:

- 1) Localities that receive state-matching PDR funds have until December 31 of the first year of each IGA to notify VDACS if they do not plan to: (i) spend down at least 50 percent of their allocated state-matching funding or (ii) submit a completed claim for reimbursement within the timeframe stipulated in the IGA. In the event that a locality does not spend down its allocated funds or submit a completed claim for reimbursement and does not notify the VDACS Commissioner in writing by December 31 of the first year of the IGA, that locality may be ineligible to apply for the next state-matching PDR allocation round.
- 2) Twenty-five percent of the annual PDR funding allocation is held in a separate fund accessible only to certified localities with use-value taxation. The remaining 75 percent of the funding is accessible to all eligible localities.

In addition to these program changes, OFP staff completed a study of current methodologies used by existing local PDR programs. Such methodologies include local program funding strategies, easement stewardship methodologies, and other program management strategies (Appendix 5).

PROVIDING TECHNICAL ASSISTANCE AND EDUCATION ON FARMLAND PRESERVATION

Since the establishment of OFP in 2007, staff has been asked to provide technical assistance to local and state governments, agricultural and conservation organizations, individual landowners and farmers, and others interested in learning more about farmland preservation in Virginia.

The following are efforts by OFP to provide technical assistance and outreach on farmland preservation issues from December 1, 2016 – November 30, 2017:

Workshops/Presentations: OFP delivered eight workshops/presentations to a wide variety of audiences. Topics included PDR programs, farmland preservation tools and techniques, conservation easements, farmland loss data, the Virginia Farm Link program, and the Century Farm program (see Appendix 4).

Website: OFP continued to provide updated information on its website at: <http://www.vdacs.virginia.gov/conservation-and-environmental-farmland-preservation-tools.shtml>. The website provides information on the office as well as the issues and challenges related to the loss of Virginia's working farm and forest lands. It also includes links to the websites, program ordinances, easement templates, and other materials for many of the 22 local PDR programs and two local transfer of development rights programs currently established.

Outreach: OFP staff exhibited at the Virginia Association of Counties Conference in Warm Springs November 12-14, 2017, answering questions and providing information on OFP programs.

Landowner phone calls/e-mails: The OFP Coordinator communicated with numerous landowners and farmers interested in understanding the range of options for permanently protecting their land. OFP also fielded numerous calls and e-mails from farm owners and farm seekers interested in the Virginia Farm Link program and the Virginia Century Farm program.

VIRGINIA FARM LINK PROGRAM

OFP is charged with administering the Virginia Farm Link program. Pursuant to § 3.2-202 of the Code of Virginia, the purpose of the Virginia Farm Link program is to do the following:

“ . . .provide assistance to retiring farmers and individuals seeking to become active farmers in the transition of farm businesses and properties from retiring farmers to active farmers. Such assistance shall include, but not be limited to, (i) assistance in the preparation of business plans for the transition of business interests; (ii) assistance in the facilitation of transfers of existing properties and agricultural operations to interested buyers; (iii) information on innovative farming methods and techniques; and (iv) research assistance on agricultural, financial, marketing, and other matters.”

To date, the primary effort to implement the Virginia Farm Link program has been the establishment of the Virginia Farm Link database. Released by VDACS in May 2008, this database attempts to bring together farm owners and farm seekers to discuss possible farm transition arrangements. As of October 31, 2017, the database has 24 “active farm owners” and 219 “active farm seekers” currently registered. Of the active farm seekers, 24 are Certified Farm Seekers. From December 1, 2016 – November 30, 2017, 36 active farm owners received 44 individual requests from nine active farm seekers interested in discussing various transition options. The database is located at www.vafarmlink.org.

In 2017, OFP staff continued to work with a consultant to refine the Virginia Farm Link database and website, which underwent a major update in 2016. At the time of the 2016 update, there were multiple technical issues with the database and website that were not addressed and may have impacted user interest in the database. The technical issues included the database timing out and user registration data that was not saved in the system. The update also did not address the removal of system users that were duplicative, created in error, or were more than five years old. These issues were addressed by refinements made in 2017 to the Virginia Farm Link database.

In collaboration with the Virginia Farm Bureau Federation’s (VFBF) Young Farmers group, OFP developed a proposal for a farm seeker certification program as part of a sub-award funding opportunity tied to the larger Virginia Beginning Farmer and Rancher Coalition Project (BFRCP) led by Virginia Tech. The Certified Farm Seeker (CFS) program was designed to provide individuals seeking farming opportunities with the tools necessary to successfully demonstrate their farming commitment and vision to interested landowners. This program was officially unveiled at the VFBF Young Farmers Summer Expo in 2012. The CFS program uses five curriculum modules (whole farm planning introduction, business, land acquisition and tenure, marketing, and on-farm experience) developed by BFRCP and helps farm seekers develop a farm business plan and résumé as well as demonstrate on-farm experience. The program was designed to help all levels of beginning and experienced young farmers who are looking to farm or to expand their farm. The original grant from BFRCP ended in August 2013, and OFP and VFBF agreed to extend the project through August 2015. A grant from the BFRCP provided

funding to extend the CFS program through the end of 2016 and enabled the hiring of a full-time CFS Coordinator in 2015.

The CFS Coordinator worked closely with OFP and VFBF staff to recruit new CFS applicants and help them complete the program in a timely manner. The Coordinator also worked closely with farmland owners in the Virginia Farm Link database to connect them with certified farm seekers within their region. Despite the best efforts of the CFS Coordinator, only three participants were certified between December 1 2016 – November 30, 2017, bringing the total number of certified farm seekers to 24. Additionally, only a handful of the 24 certified seekers chose to use the cost-share reimbursement available to offset the cost of farm transition related professional services.

Several programmatic adjustments were made to the certified farm seekers program in 2017 in response to the limited program interest and activity. After discussion with VFBF, it was determined that the CFS program should be scaled-back but not entirely discontinued. The CFS program continues to provide a valuable service to farm seekers by allowing them to demonstrate experience and farm business readiness to farm owners. Program adjustments included discontinuing the CFS Coordinator position and cost-share reimbursement. In order to continue to make the program accessible to farm seekers, all application materials and detailed instructions for completing the CFS application process were placed on the Virginia Farm Link website. In the period since the CFS Coordinator position was discontinued and the cost-share reimbursements were eliminated, farm seekers have continued to exhibit interest in the program. The three applicants that were certified during the reporting period were certified after the program adjustments were made. The Virginia Farm Link website will allow the CFS program to continue to provide a needed service to farm seekers and farm owners and ensure that the program will be ready to scale back up if interest increases in the future.

The Office of Farmland Preservation also continued to allocate funding for farm transition workshops designed to help farm families and their service providers transition farms and farming operations to the next generation. OFP allocated up to \$20,000 to the Virginia Cooperative Extension to reimburse the costs associated with six farm and forestland transition workshops held between January 1, 2017, and February 28, 2018. An additional \$5,000 was allocated to create a workbook that would serve as the forestry companion to the “Planning the Future of Your Farm” workbook, which was updated and reprinted in 2017. The forestry companion workbook, titled “Generation NEXT: Keeping Your Woodland Intact, In Forest and in Your Family’s Hands,” is expected to be finalized in early 2018.

VIRGINIA AGRICULTURE LICENSE PLATES

Chapter 653 of the 2004 Acts of Assembly established a new revenue-generating license plate for supporters of Virginia agriculture. As established in § 46.2-749.102 of the Code of Virginia, the annual fee for the Virginia agriculture plate is \$25 in addition to the prescribed fee for state license plates. For each \$25 fee collected in excess of 1,000 registrations, \$15 is credited to a special nonreverting fund known as the Virginia Agricultural Vitality Program Fund, established within the Department of Accounts. The revenue generated by this fee is paid annually to OFP and to date has been used to fund projects primarily related to the Virginia Farm Link program.

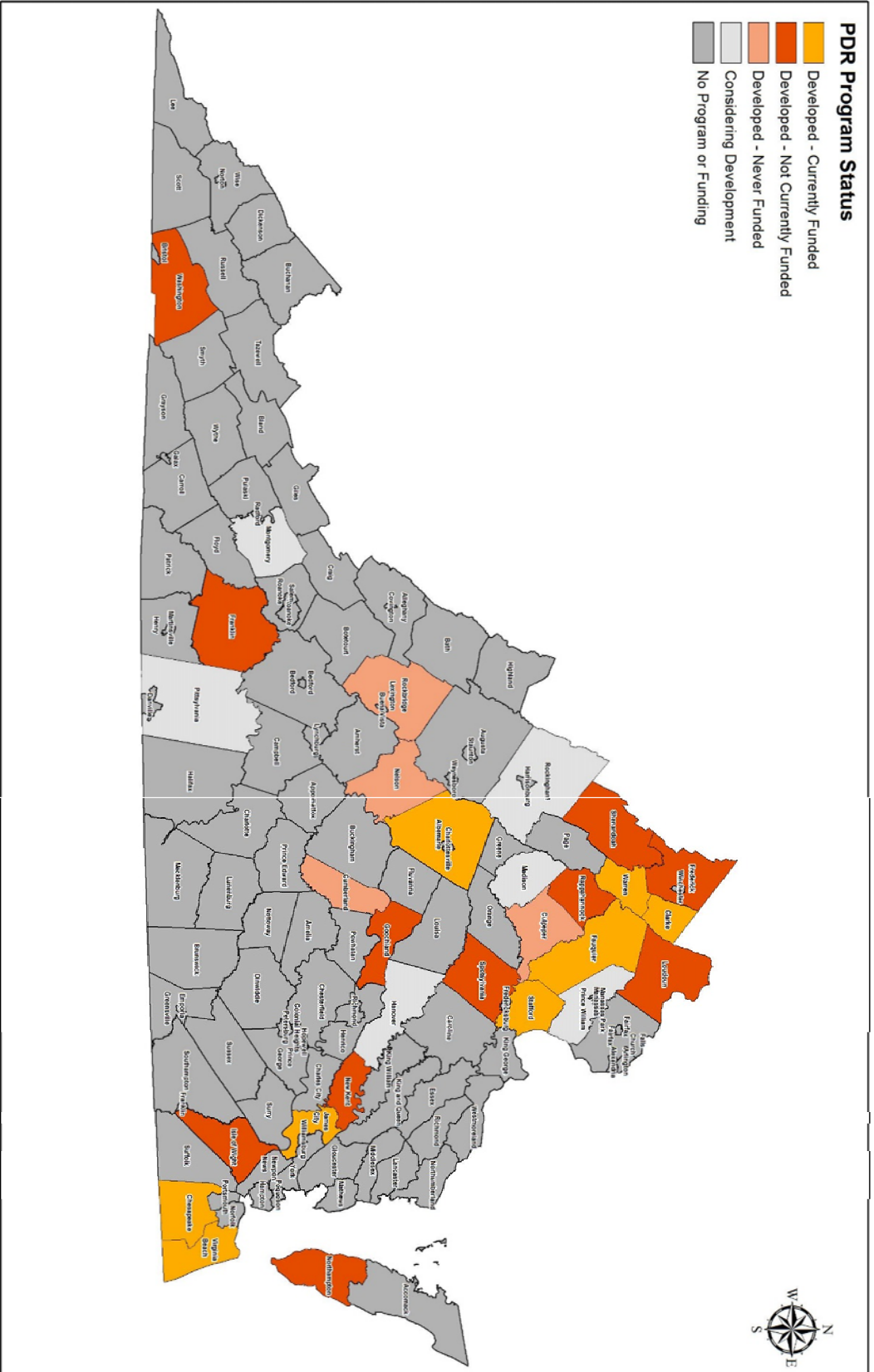
VIRGINIA CENTURY FARM PROGRAM

In October 2010, the Office of Farmland Preservation was assigned the administration of the Virginia Century Farm program, which honors and recognizes those Virginia farm families whose land has been in the same family and actively farmed for more than 100 years.

OFP staff has certified a total of 258 new Century Farms since October 2010. There are now 1,403 certified Century Farms since the beginning of the program in 1997.

APPENDIX 1

STATUS OF LOCAL PURCHASE OF DEVELOPMENT RIGHTS (PDR) PROGRAMS



APPENDIX 2

FY 2017 ALLOCATIONS FOR LOCAL PDR PROGRAMS

<u>Locality</u>	<u>Local Funds Available</u> <u>(As of Oct 2016)</u>	<u>Previous State Funds Remaining</u> <u>(As of Oct 2016)</u>	<u>FY 2017 State Funds Awarded</u>
County of Albemarle	\$906,897.82	\$156,221.72	\$86,950.00
City of Chesapeake	\$474,081.53	\$0	\$86,950.00
County of Clarke	\$163,462.00	\$61,239.52	\$86,950.00
County of Fauquier	\$1,848,515.00	\$202,755.04	\$86,950.00
City of Virginia Beach	\$13,110,735.00	\$60,075.79	\$86,950.00
County of Warren	\$65,250.00	\$0	\$65,250.00
TOTAL	\$16,568,941.35	\$480,292.07	\$500,000.00

APPENDIX 3

TOTAL ACRES PROTECTED WITH STATE PDR MATCHING FUNDS

AS OF OCTOBER 31, 2017

<u>Locality</u>	<u>Easements</u>	<u>Acres Protected</u>	<u>*Local Funding</u>	<u>*State PDR Funding</u>	<u>*Other Funding</u>
Albemarle County	13	2,440.63	\$2,381,184.55	\$1,821,525.94	\$0.00
City of Chesapeake	1	64.01	\$505,534.58	\$110,952.46	\$0.00
Clarke County	34	2,788.54	\$1,069,814.28	\$1,069,811.27	\$2,697,534.00
Fauquier County	12	3,609.65	\$2,376,064.80	\$1,996,842.70	\$100,000.00
Frederick County	1	89.75	\$5,000.00	\$130,027.00	\$260,000.00
Goochland County	1	500.93	\$155,623.50	\$155,623.50	\$0.00
Isle of Wight County	3	585.40	\$1,794,862.79	\$1,547,744.21	\$0.00
James City County	5	476.16	\$1,775,974.11	\$994,967.24	\$0.00
Northampton County	3	637.25	\$139,578.10	\$139,578.10	\$1,376,000.00
Rappahannock County	2	343.23	\$157,431.00	\$156,666.00	\$0.00
Shenandoah County	2	308.87	\$100,000.00	\$100,000.00	\$525,000.00
Spotsylvania County	2	115.70	\$93,072.65	\$93,072.65	\$147,500.00
Stafford County	6	446.58	\$1,392,393.57	\$1,374,603.43	\$180,000.00
City of Virginia Beach	6	373.09	\$1,703,545.34	\$1,431,388.66	\$0.00
Washington County	1	161.24	\$41,000.00	\$41,000.00	\$190,426.00
TOTAL	92	12,941.02	\$13,691,079.26	\$11,163,803.15	\$5,476,460.00

* Includes easement purchase price and in some cases incidentals such as surveys, title insurance, appraisals, reasonable legal fees, etc.

APPENDIX 4

OFFICE OF FARMLAND PRESERVATION PRESENTATIONS

DECEMBER 1, 2016 – NOVEMBER 30, 2017

- Presented information on the Virginia Farm Link and Virginia CFS programs at a farm owners and farm seekers networking event in Warrenton (March 30, 2017).
- Provided information on the Virginia Farm Link program at the meeting of the Shenandoah Valley Ag. Alliance hosted by the Valley Conservation Council in Harrisonburg (April 3, 2017).
- Presented information on the Virginia Farm Link and Virginia CFS Programs at the Changing Lands, Changing Hands Conference hosted by Land For Good in Denver, Colorado (June 13, 2017).
- Presented information on the state matching PDR, Virginia Farm Link, and Virginia CFS programs at the annual conference of the Virginia Chapter of the American Planning Association in Roanoke (July 18, 2017).
- Presented information on the OFP at the Resilient Virginia conference in Richmond (August 1-2, 2017).
- Presented information on the state matching PDR, Virginia Farm Link, and Virginia CFS programs at a regular meeting of the Shenandoah County Conservation Easement Authority in Woodstock (October 4, 2017)
- Presented information on the state matching PDR, Virginia Farm Link, and Virginia CFS programs at a regular meeting of the Page County Economic Development Authority in Luray (October 16, 2017)
- Presented information on the Virginia Farm Link and Virginia CFS programs at a farm owners and farm seekers networking event in Charlottesville (October 23, 2017).

APPENDIX 5

2017 REVIEW OF LOCAL FUNDING, EASEMENT HOLDING, AND OTHER PRACTICES OF VIRGINIA LOCAL PURCHASE OF DEVELOPMENT RIGHTS (PDR) PROGRAMS

In 2015, OFP conducted outreach to localities that currently or formerly had a local PDR program. OFP staff desired to learn from these localities how to encourage greater locality participation in the program. In addition to some minor programmatic changes, localities had several key questions:

- How are local governments funding PDR programs;
- How are local governments holding easements; and
- Are there other program development and funding strategies to use?

Before answering these questions, it is important to understand how localities access state matching funds for their local PDR programs.

How Can Localities Access Funding from the Virginia Farmland Preservation Fund?

Virginia provides a cash match to local government PDR programs from the Virginia Farmland Preservation Fund. The match is provided on a dollar for dollar basis to any local government that wishes to use funding to conserve farmland via a conservation easement. The purpose of providing a funding match is to assist local PDR programs in conserving more farmland than with just their own funding. Since VDACS began providing PDR programs with state matching funds in 2008, 18 localities have requested and received a funding allocation and 15 of those localities have used some or all of the allocated funding to permanently conserve farm and forestland with a conservation easement. In the FY 2017 funding allocation, six localities had local funding available that could be matched by state funding.

To access state-matching funding, localities must have an adopted local PDR ordinance that has been reviewed and approved by VDACS prior to adoption. VDACS confirms the ordinance complies with the model local PDR ordinance developed by the state PDR taskforce in 2005.

Once a local government has adopted its own local PDR program, it has completed the first of two steps needed to access state funding. All local ordinance must have a method for reviewing and ranking applications and a designated group that can review and approve the ranking completed by staff. Some localities use their planning commission, others their agricultural and forestal district committee, while others designate a local PDR committee specifically for this purpose.

The second step is to have a local funding match available. The state-matching PDR program funding requires a dollar for dollar match – meaning that for every dollar of state funding received, a dollar of local funding must be used. The local funding match must be available at the time of the annual application round (usually held in October). The amount and availability of local funding match is confirmed by a fiscal certification form signed by the local fiscal agent.

The Local Funding Match

Table 1 summarizes the major sources of local funding participating PDR localities have used to fund their local match requirement

Local Funding Source	# of Localities	List of Localities	Advantages	Disadvantages
Annual Appropriations	13	Albemarle, Cumberland, Franklin, Frederick, Goochland, Isle of Wight, James City, New Kent, Rappahannock, Shenandoah, Spotsylvania, Stafford, Washington	Saves financing costs	Tenuous
Rollback Taxes (from local land use value program)	5	Chesapeake (city), Clarke, Fauquier, Rappahannock, Stafford	Funds conservation when other lands are converted	Not reliable or even; generation of funds lags conversion, may be too late
Real Estate Taxes	4	Albemarle, Isle of Wight, James City, Virginia Beach (city)	Small percentage of purchase price; funds produced when land conversion is occurring; may be used to cover bond interest	Not reliable or even; generation of funds lags conversion, may be too late
Private Donations	3	Clarke, Fauquier, Warren	No cost to locality	Not reliable; often one-time infusion of money
Transient Lodging Taxes	2	Albemarle, Northampton	Paid for by visitors	Not reliable or even
General Obligation Bonds	1	James City	May commit large amount of funds while land is relatively affordable; paid off over a number of years	Tenuous; interest cost; often one-time infusion of money
Conservation Easement Service District Tax	1	Fauquier	Tax paid by those within district to benefit purposes of that district	Funding can only be used for purposes of district
Land Transfer Tax	1	Clarke	Small percentage of purchase price; funds produced when land conversion is occurring; may be used to cover bond interest; not mandatory	Not reliable or even; generation of funds lags conversion, may be too late; not mandatory

Thirteen of the 15 localities that have used a PDR program to record conservation easements on farm and forestland have relied upon an annual appropriation from their local government body for funding. Currently, most localities that have relied on an annual appropriation for meeting their local funding match have inactive programs. When annual funding for a local PDR program is reliant upon the annual budget cycle of a local governing body, it is often eliminated.

Localities that have used a more consistent revenue stream (or a mixture of funding streams) to fund their local programs have found greater success in maintaining their local program funding. One funding source used by multiple localities is a penalty assessed on property owners who remove land from use-value taxation in those localities that established use value assessment programs. The amount collected in these “roll-back taxes” can vary from year to year. When the economy is strong, more roll-back taxes are collected because more landowners remove their property from use-value assessment for possible development. Localities that use roll-back taxes to fund their local PDR may not collect a large amount of funds in any one year, but such funding can accumulate over multiple years. Four of the five localities that use roll-back taxes to fund their local PDR match remain active and received state matching funds in 2017.

Several localities also use a portion of their collected real estate taxes to fund their PDR programs. The City of Virginia Beach has used this method exclusively to fund its PDR program and is the only currently active program using this method. A few localities have used private donations to establish their programs, but none have received private donations as a consistent funding source. It is important to note that, in order for private funding to count as the locality’s funding match, the donation must be provided to the locality’s PDR program and not earmarked for a particular project. The locality must have the ability to review and rank applications according to its own criteria, and funding provided for projects that do not allow this cannot count as local match.

Two localities have used a portion of their transient lodging tax to provide funding for their PDR program. One locality intended to use a general obligation bond to serve as program funding, but ultimately did not pursue this approach.

Fauquier County developed a special conservation easement service district that levies a special tax on property within the district, which is then used as the local PDR match. Clarke County uses a land transfer tax added to its conservation easements to generate funding equal to a percentage of any future property sale.

Holding and Stewarding Conservation Easements

Table 2 is a summary of the local PDR program easement holders

Holder	# of Localities	List of Localities	Advantages	Disadvantages
Local Government only	15	Chesapeake (city), Cumberland, Fauquier, Franklin, Goochland, Isle of Wight, James City, Nelson, New Kent, Rappahannock, Rockbridge, Spotsylvania, Stafford, Virginia Beach (city), Warren	Permanence of government work well with perpetuity	Staff time and expertise required to monitor easements and enforce terms if needed
Local Government by local public authority	4	Albemarle, Clarke, Frederick, Shenandoah	Public easement authority can be specialists in conservation	Staff time and expertise required to monitor easements and enforce terms if needed; time needed to staff an authority
Other public entity	2	Northampton (VOF), Washington (local SWCD)	No monitoring or stewardship responsibilities	Lack of locality control

Perpetuity is required for all conservation easements using state matching funds to local PDR programs. Because the conservation easement is perpetual, the holder of the easement is required to monitor and steward the easement to ensure the easement terms are followed. To ensure the terms of the easement are enforced, most localities choose to hold easements themselves. Of the 22 local programs, 19 name the locality as the easement holder. Several of these localities further state that another local public body, such as a conservation easement authority, is either allowed or required to co-hold the easement. Two localities do not hold easements directly, instead relying on another public body, such as the Virginia Outdoors Foundation or a local soil and water conservation district, to do so. Several localities do not specifically state who holds their easements. The default would be the public bodies or non-profit holders that met the definitions in the Code of Virginia (Virginia Code 10.1-1009).

Local PDR Program Development and Funding Strategies

I. Funding for PDR Feasibility Studies

There are state funding sources available for localities interested in studying how to implement a local farmland preservation program, which could include a local PDR program. One such funding source is a planning grant from the Governor's Agriculture and Forestry Industries Development (AFID) Fund. The AFID Fund is a discretionary, performance-based incentive designed to encourage efforts by local governments to support their agriculture and forestry based businesses and to give greater voice to local farm and forestland owners and their interests.

These grants are available to any political subdivision and require active participation of a local board, committee, or working group comprised of agriculture or forestry interests. Applicants are required to provide a dollar for dollar match; however, in-kind donations (such as staff time) may be used to provide up to 50 percent of the local match. The maximum total amount one political subdivision may apply for is \$20,000, but multi-jurisdictional applicants may apply for up to \$35,000. For localities that are within the service area of the Tobacco Indemnification Commission, half of the local cash match may come from the Tobacco Commission. While an AFID Planning Grant has not been used to-date to study the development of a local or regional PDR program, it is a possible option. More information on AFID Planning grants can be found by visiting the VDACS Office of Agriculture and Forestry Development Services website: <http://www.vdacs.virginia.gov/marketing-agriculture-and-forestry-development.shtml>.

II. Local Program Management at the Regional Level

A PDR program management method that has yet to be used by localities in Virginia is a regional approach. For example, several adjacent local governments could adopt their own local PDR ordinance. Such localities could have their own local PDR committee that reviews and ranks applications. Local PDR program management work could be conducted by the local planning district commission (PDC) or another third party that could serve as program management staff to several local government PDR programs. A PDC could serve as a clearing house for receiving PDR applications and then forwarding them to the local government for review and ranking. A local government would then return the ranked applications to the PDC to negotiate conservation easements upon the prioritized properties. Final approval authority for the use of local funding would remain with the local governing body.

In this scenario, the conservation easement could be held by the locality, but it would also have to be stewarded by the locality for perpetuity. Another route would be for the locality to find a partner who specializes in holding and stewarding conservation easements (like the Virginia Outdoors Foundation or a land trust that meets the holder definition found in the Code of Virginia) or a local soil and water conservation district.

The regional approach would remove the day-to-day program management responsibilities from local government and the responsibilities for holding and stewarding conservation easements in perpetuity. This approach could work for local governments that have a desire to fund a program but do not have a desire to staff a program themselves or be in the business of stewarding conservation easements. It could be helpful for small or rural local governments that may have a good relationship with their local PDC and an organization that holds easements. It is important

to note that a regional approach to program management would still require a locality to have its own local funding match.

III. Using Local Government Roll-back Taxes to Fund the Local PDR Match

One method of funding a local PDR program is to use locally collected roll-back taxes. Roll-back taxes are collected when property is removed from use-value taxation in localities that have chosen to establish use-value assessment programs. Use-value taxation means that the land portion of eligible real estate is valued and taxed at its current use instead of being valued and taxed at its fair market value. When land that is within a use-value assessment program is changed to a non-qualifying use, the land is subject to a roll-back tax equal to the sum of the deferred tax for the past five complete tax years including simple interest at a rate set by the locality.

Typically, land owners choose to be removed from use-value programs when they plan to use land for more intense non-agricultural or forestal uses. Local governments do not know in advance the amount that may be collected annually in roll-back taxes because it is dependent upon how many land owners remove their property from the use-value program in a given year. However, when the economy is doing well, landowners are more likely to consider development options for their property and chose to remove their property from the use-value program. Most localities do not collect a large amount of roll-back taxes in any given year, which may mean that localities that choose to use roll-back taxes towards their local PDR match may have to wait several years before they can collect enough funding to serve as matching funds for the state PDR program. However, by utilizing this method, no local funding has to be allocated from the general fund or standard local real estate taxes.

Once a local government collects enough funds, it can qualify for matching funds from the state PDR program to help pay a landowner for placing an agricultural conservation easement on his property. If the local government already had a PDR program established, it will be as simple as applying for the next round of state funding match and then finding a farm to conserve. Several localities that have active local PDR programs, including Stafford County, use roll-back taxes to fund their programs.