State programs to purchase development rights on farmland have become one component of safeguarding the agricultural future of the Northeast

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PDR programs take root in the Northeast

By Julia Freedgood

FARMLAND protection programs usually fall into one of three categories. One category includes incentive programs, such as tax relief, right-to-farm laws, or agricultural districting. Another consists of land use controls based on involuntary programs, agricultural zoning, for example. The third category involves land use controls using voluntary programs. These can include direct acquisitions of farmland, either in fee simple or, more often, by purchasing development rights. Private initiatives, such as the transfer of development rights (TDR), fall into this category as well. Farmland protection programs sometimes combine techniques to integrate incentives and controls as well as public and private relationships (*3, 5*).

Purchase of development rights (PDR) is one of the most widely used farmland protection techniques in the Northeast. Established to protect high quality farmland from conversion to nonagricultural uses, PDR programs buy easements, or deed restrictions, on qualified farmland. So far, nine state-level programs in the Northeast and local programs in towns and counties nationwide have protected farmland using PDR.

In 1974, Suffolk County, New York, established the first PDR program, with the intention of buying easements on optimum farmland. Development rights were actually purchased in 1977 (*3, 10*). Maryland and Massachusetts initiated state programs in 1977. Connecticut quickly followed suit, setting up a program in 1978. Since then, all six New England states and New Jersey have started PDR programs, and Pennsylvania passed a $100 million bond act for a program in 1987 (*7*).

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Of all the techniques used in the Northeast, PDR is thought to be the most effective for long-term protection of agricultural land from conversion (*1, 6, 9*). Its main advantages are twofold: It offers permanent protection, and farmers find the program attractive. Its main drawback is its high public cost (*2, 9*).

The primary goal of PDR programs is to protect the best and most productive farmland from development. Among the other goals are the following:

► Keeping farmland affordable for future generations.

► Providing working capital to keep farms financially stable.

► Helping farmland owners overcome estate planning problems that may result in farmland loss (*9*).

Because nearly $280 million have been spent on state-level PDR programs, it is worthwhile to ask: How well have these programs fared, and have they lived up to their stated goals?

Protecting the best land

PDR programs generally place their highest priority on protecting the best farmland in the greatest danger of development (*3*). Programs have strict selection criteria for evaluating applications. Generally, the major one is the land's suitability for agriculture. Decisions usually are based on Soil Conservation Service-determined soil quality and agricultural productivity. The land evaluation and site assessment (LESA) system also can be used to help select farmland for protection with PDR programs. Developed in 1981 by the Soil Conservation Service, LESA offers a consistent numerically based system to determine which farmland should be available for development and which should be protected (*4*). Other selection criteria are protecting agricultural potential, the threat of conversion to nonagricultural uses (jeopardy), location, economic viability, and cost (*3, 4, 9*).

To protect agricultural potential and sustain economic viability, programs often give preference to farms located in contiguous blocks. Some require PDR to fit into a more comprehensive plan. Maryland and Pennsylvania, for example, can only buy easements on farms located in agricultural districts.

Because programs have more applicants than funds, they have successfully attracted top quality farmland for protection. The more difficult task has been combining land quality considerations with jeopardy at a reasonable cost. When excellent farmland is under severe development pressure, it tends to be expensive. This has led to debates over how to define priority areas. Many program managers have questioned whether it is more important to protect farms under the most jeopardy or to concentrate on less threatened land in larger blocks. Different programs have resolved these issues in different ways. For example, in Lancaster County, Pennsylvania, a modified LESA system is used to score farmland. Based on a 100-point scale, 30 percent of the total score is based on land evaluation and 70 percent on site assessment (*4*). In Massachusetts, applications are reviewed on a case-by-case basis using five criteria. These start with suitability of land for agriculture and the contribution the parcel makes to the environmental quality of the area. They also cover cost, how much land contributes to the state's agricultural potential, and the threat of development (9).

To date, the performance of state PDR programs is notable. The older programs have a respectable track record, and the more recent programs are making impressive gains. As of May 15, 1991, these programs had protected 212,427 acres on 1,253 farms, staying active even during the sustained real-estate boom of the mid-1980s (see table).

Future affordability

A second goal of PDR programs is to keep land affordable for commercial agriculture in the future. When development rights are sold, the price of farmland is reduced from its value for construction to its value for production. Therefore, it should remain affordable to future generations.

Data on this subject is sketchy, but a 1988 study of Massachusetts and Connecticut farmers who sold their development rights found that most of the farmers planned to stay in agriculture. Ninety-one percent indicated their intention to continue farming; 64 percent reported that family members would take over their farms when they retired (1).

There are two possible, related dangers. The first is that farming in areas of rapid growth may prove unprofitable in the future. Even if development rights are purchased, that land may eventually go out of agriculture. So far the evidence suggests that PDR programs bolster farmers' confidence and help stabilize farmland values (9). Thus, established farmers seem more likely to stay in agriculture, even in developing areas, and it is easier for young farmers to buy farms. Finally, the protection of contiguous blocks seems to support agricultural viability by retaining infrastructure.

The second danger is the conversion of farmland to other nondevelopment uses. This may be the greater threat. PDR programs cannot guaranteee that protected land will always stay in productive agriculture. Farmland may be lost to open space, recreational, or estate uses, which may raise values beyond the reach of commercial agriculture.

Not enough protected farmland has been sold to determine the extent of this risk. But program managers are concerned about the issue of estate value and keeping farmland affordable to farmers. To address this concern, some programs require notification before farm sales occur, while others request the right of first refusal. They also monitor the use of protected land to be sure there are no violations of contracts.

Status of current state purchase of development rights programs in the Northeast (as of May 15, 1991)

State	Year of Inception	Number of Farms and Farmland Acres Protected	$ Spent/ $ Available	Funding Source
Connecticut	1978	125 farms 18,250 acres	$50,950,000/ 11,800,000	Bonds
Maine	1990	1 farm 307 acres	380,000/ 8,000,000*	General appropriations/ Transfer tax
Maryland	1977	619 farms 91,448 acres†	67,770,272	General appropriations County/ local match
Massachusetts	1977	294 farms 28,154 acres	75,000,000/ 5,000,000	Bonds
New Hampshire	1979	28 farms 2,167 acres	3,000,000/ 554,251	General appropriations
New Jersey	1983	75 farms 10,476 acres†	50,000,000‡/ 50,000,000	Bonds County/ local match
Pennsylvania	1989	44 farms 44,036 acres	11,600,000/ 75,800,000§	Bonds County/ local match
Rhode Island	1982	23 farms 1,781 acres	10,652,000/ 2,114,000	Bonds
Vermont	1987	44 farms 15,808 acres	10,514,762*	General appropriations Transfer tax

*Maine and Vermont are multipurpose land acquistion funds.
†Maryland figures as of 6/30/90l New Hampshire figures as of 12/31/90.
‡All funds obligated for specific purchases, totaling 11,000 acres.
§$66 million has been allocated from a $100 million bond act; $9.8 million is available from the counties.

Improved financial stability

Another goal of PDR programs is to increase farmers' financial stability. The average price paid for delevoment rights is $1,500 per acre (8, 11). A farmer would receive $225,000 to protect 150 acres. For farmers planning to stay in agriculture, this could be an attractive dividend. Acreage in more threatened areas commands higher prices, sometimes as high as $6,000 per acre (10).

Many farmers use the income from PDR sales to improve or expand their operations. In the study of Massachusetts and Connecticut farmers, 46 percent of respondents directly reinvested in their farms, and 45 percent used the revenue to retire debt (1). These findings are similar to those from Suffolk County. There, five out of six farmers interviewed invested the proceeds to pay off debt, buy more land, or improve buildings (10). This aspect of PDR may best explain why so many farmers support PDR. Selling development rights clearly improves a farmer's financial security.

Estate planning

Finally, there is the goal of estate planning. In Connecticut and Massachusetts, 54 percent of farmers studied used some income from PDR sales for general savings. Fifty percent of the farmers used income for investment (1). Converting some of the equity in land to cash can help settle future debts. Heirs often are forced to sell some or all of the family farm to pay inheritance taxes. More liquid investments can help keep the farm in the family.

PDR is expensive

The biggest drawback of PDR is its expense. Because development increases land values, it is hard to finance programs without a major source of funding. Farmers and farm communities rarely have the resources to support PDR programs themselves.

If the major problem of PDR is cost, the major weakness is financing. Many state programs are supported by bond acts. While useful for getting programs started, bonds are a time-limited source of funding and cannot assure future program stability.

Ironically, in harsher economic times when development pressures fall, PDR dollars are harder to come by. Frustrated program administrators see their opportunities increase while their resources diminish. The demand on their programs rises and far outstrips available funds. Permanent, annual sources of income would help, allowing a more positive response to economic conditions.

A diversified funding base gives programs a long-term advantage over those funded exclusively by bonds. Maryland, for example, combines general appropriations, a real-estate transfer tax, and county/local matches. The use of county matches in New Jersey and Pennsylvania gives additional leverage to limited state dollars.

PDR has public support

Because PDR programs are voluntary, they work only if landowners are willing to sell their development rights and if the public is willing to spend considerable sums to buy these rights (*2*). So far, PDR programs have effectively satisfied regional farmers while gaining a large measure of public support. The successful combination of these factors has helped PDR gain prominence in northeastern farmland protection.

Of the Massachusetts and Connecticut farmers surveyed who sold development rights, 70 percent indicated they would do so again. When asked a series of questions about PDR generally, 85 percent agreed that "PDR is a good idea,"; 79 percent said that "PDR had a positive effect on the future of agriculture in my area," and 87 percent stated that "PDR represents a viable alternative to the sale of land out of agricultural use" (*1*).

On the public side, more than $350 million has been appropriated for PDR since 1977. Voters at the state and local levels have supported programs, often by large majorities. In fact, suburbanites are often the group most supportive of farmland protection (*6*). They see it as a way to protect open space and their quality of life. PDR helps them preserve their community's heritage. Finally, consumer support of direct markets, such as roadside stands, pick-your-own operations, and farmers' markets, further suggests a strong desire to preserve local food production.

The public also seems to understand that it is expensive to extend infrastructure to support new development (*3, 5*). Protecting farmland can have a positive fiscal impact on communities, even when the land is assessed at use value. Not only is agriculture an important industry, it also demands fewer services than residential development. For example, farmland does not require schools, hospitals, or other kinds of social assistance. It generally demands less water and sewer and less police and fire protection than other land uses.

Furthermore, a significant portion of development rights proceeds are spent in local communities. In Massachusetts and Connecticut, 40 percent of the farmers surveyed said that all their PDR income was spent in their local area. An additional 24 percent spent "most" of it locally (*1*). In this way, PDR programs help to stimulate state and local economies, benefiting communities as well as individual farmers. This combination of public and private benefits is yet another advantage of PDR.

The most recent indication of public support comes from the federal government. The 1990 Food, Agriculture, Conservation and Trade Act includes a provision, the Farms for the Future Act, that allows for 10-year loan guarantees to states that establish farmland preservation funds on or before August 1, 1991. The loans can be used in support of state-level PDR programs.

Achieving success

All told, state PDR programs have succeeded in providing a mechanism for permanently protecting valuable farmland from development. They have bought development rights on an impressive amount of acreage. They have had a positive effect on affordability. And they have been valuable as a source of working capital, helping farmers improve their operations and plan for the future of their farms.

Voters seem to recognize the public as well as the private benefits of PDR programs and have been willing to bear the cost. And because so many farmers have applied to sell development rights, programs have used highly selective criteria to protect the most valuable farms in their states.

The primary obstacle to PDR's long term reliability is cost. This can be addressed but never overcome. Multiple funding mechanisms strengthen programs and make them less dependent on any one source. Innovative financing; a greater reliance on local matches; and, conceivably, the Farms for the Future Act will help supplement limited state funds. More permanent, annual funding will go a long way toward ensuring program success in the future. However, PDR will never be able to protect all the high quality farmland threatened by development. Not all farmers will choose to sell development rights, and it would be too costly to protect every acre of prime agricultural land.

PDR cannot stand alone

PDR depends upon, but cannot ensure, a healthy agricultural economy. It must be viewed as one component of a comprehensive farmland protection plan. All available techniques must be combined to keep farmland in active production. PDR must be coupled with property tax relief, right-to-farm laws, encouragement of farming in local zoning ordinances, TDR, farmland designations in comprehensive plans, and other incentives and protections.

Just as important, PDR must be linked to efforts to improve the overall economic health of northeastern agriculture. The public must support direct marketing and enhanced promotion of local agricultural products, value-added processing, and low-interest loan programs. Beyond PDR and other farmland protection techniques, the future of the region's agriculture depends upon the investment and commitment of its farmers, and educating an increasingly urban public on farming's importance to the cultural and economic health of the region.

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