

**Evergreen** *Conservation Finance*



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Public-Private Financing  
for Farmland Preservation

**Presentation to the Pennsylvania  
Farmland Preservation Association**

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# Tools in Preservation Toolbox

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- **Bonds or other loans:**  
Use proceeds to pay cash
- **Seller financing:** Pay purchase price, interest over term
- **Pensions:** Pay after retirement, with value increasing until then
- **Public-private partnerships**

# Rationale for User Land Trust

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**Use private capital  
to further public goals  
of preserving farmland and  
fostering next generation of farmers**

# Precedents in the West



- **California Rangeland Trust**
- **Colorado Cattlemen's Agricultural Land Trust**
- **Kansas Livestock Association Ranchland Trust**

[www.maintaintherange.org](http://www.maintaintherange.org):  
**Partnership of Rangeland Trusts**

# NJ Agricultural Land Trust



- **Acquire farms from willing sellers**
- **Sell easements to state, county and township programs**
- **Sell farmland at discount prices**
- **Receive donated easements**
- **Advise conservation easement sellers and manage sale process**

# Acquire Farms, Sell Easements



- **With local programs, identify priority farms still unpreserved**
- **With Farm Bureau, express interest in buying to owners**
- **Extend discount offers**
- **Close quickly**
- **Sell easements**

# Sell Land, Retain Interest



- **Solicit interest and business plans**
- **Sell (or lease/sell) to farmers with innovative, promising plans**
- **Sell for below-market prices**
- **Retain interest in land to encourage continued ag use**

# NJALT Funding



- **Farm Bureau:** Seed capital for creation, outreach until first deal
- **Farm Credit, NJEDA:** Debt (taxable/tax-exempt)
- **Foundations:** PRIs and grants for equity and working capital
- **FRPP, state/local programs:** Grants and easement sales

# Financing through NJEDA



- **Statewide conduit financing vehicle for non-profits like NJALT**
- **Guarantor of bank loans to entities creating/maintaining jobs**
- **Seller financing: IPAs through NJEDA to acquire easements**

# Developer vs. NJALT

|                       | <u>Purchaser</u> |                |                                       | <u>Purchaser</u> |                 |
|-----------------------|------------------|----------------|---------------------------------------|------------------|-----------------|
|                       | Developer        | NJALT          |                                       | Developer        | NJALT           |
| <b>Value</b>          |                  |                | <b>Taxes at Closing</b>               |                  |                 |
| Deed-Restricted Land  | \$500,000        | \$500,000      | Federal @ 15.00%                      | (\$168,750)      | (\$67,500)      |
| Easement              | <u>750,000</u>   | <u>750,000</u> | Less Deduction for State Tax          | 11,138           | 4,455           |
| Total Value           | \$1,250,000      | \$1,250,000    | State @ 6.60%                         | (74,250)         | (29,700)        |
|                       |                  |                | Rollback Property Taxes               | <u>(125,000)</u> | <u>0</u>        |
|                       |                  |                | Total Taxes                           | (\$356,863)      | (\$92,745)      |
| <b>Purchase Price</b> |                  |                | <b>Cash to Invest @ Closing</b>       |                  |                 |
| Deed-Restricted Land  | \$500,000        | \$500,000      | Cash @ Closing                        | \$1,250,000      | \$500,000       |
| Easement              | <u>750,000</u>   | <u>500,000</u> | Net Taxes @ Closing                   | <u>(356,863)</u> | <u>(92,745)</u> |
| Total Price           | \$1,250,000      | \$1,000,000    | Proceeds to Invest                    | \$893,138        | \$407,255       |
|                       |                  |                | <b>Installment Purchase Agreement</b> |                  |                 |
| <b>Basis</b>          |                  |                | Deed-Restricted Land                  | \$0              | \$0             |
| Deed-Restricted Land  | \$50,000         | \$50,000       | Easement                              | <u>0</u>         | <u>500,000</u>  |
| Easement              | 75,000           | 50,000         | Total IPA                             | \$0              | \$500,000       |
| Deduction             | <u>0</u>         | <u>25,000</u>  |                                       |                  |                 |
| Total Basis           | \$125,000        | \$125,000      |                                       |                  |                 |

# Bottom Line

| Year | <u>Sale to Developer</u> |                  |                | <u>Sale to NJALT</u> |                  |                  |                  |            |                |
|------|--------------------------|------------------|----------------|----------------------|------------------|------------------|------------------|------------|----------------|
|      | Cash Invested            | Interest @ 4.75% | Total Cashflow | Net Cash Invested    | Interest @ 4.75% | IPA for Easement | Interest @ 5.00% | Tax Impact | Total Cashflow |
| 1    |                          | \$42,424         | \$42,424       |                      | \$19,345         |                  | \$25,000         | \$23,700   | \$68,045       |
| 2    |                          | 42,424           | 42,424         |                      | 19,345           |                  | 25,000           | 23,700     | 68,045         |
| 3    |                          | 42,424           | 42,424         |                      | 19,345           |                  | 25,000           | 14,400     | 58,745         |
| 4    |                          | 42,424           | 42,424         |                      | 19,345           |                  | 25,000           |            | 44,345         |
| 5    |                          | 42,424           | 42,424         |                      | 19,345           |                  | 25,000           |            | 44,345         |
| 6    |                          | 42,424           | 42,424         |                      | 19,345           |                  | 25,000           |            | 44,345         |
| 7    |                          | 42,424           | 42,424         |                      | 19,345           |                  | 25,000           |            | 44,345         |
| 8    |                          | 42,424           | 42,424         |                      | 19,345           |                  | 25,000           |            | 44,345         |
| 9    |                          | 42,424           | 42,424         |                      | 19,345           |                  | 25,000           |            | 44,345         |
| 10   |                          | 42,424           | 42,424         |                      | 19,345           |                  | 25,000           |            | 44,345         |
| 11   |                          | 42,424           | 42,424         |                      | 19,345           |                  | 25,000           |            | 44,345         |
| 12   |                          | 42,424           | 42,424         |                      | 19,345           |                  | 25,000           |            | 44,345         |
| 13   |                          | 42,424           | 42,424         |                      | 19,345           |                  | 25,000           |            | 44,345         |
| 14   |                          | 42,424           | 42,424         |                      | 19,345           |                  | 25,000           |            | 44,345         |
| 15   | \$893,138                | 42,424           | 935,562        | \$407,255            | 19,345           | \$500,000        | 25,000           | (92,745)   | 858,855        |
|      | \$893,138                | \$636,361        | \$1,529,499    | \$407,255            | \$290,169        | \$500,000        | \$375,000        | (\$30,945) | \$1,541,479    |

# IPA Benefits to Seller



- **Capital gains tax deferral: Differ taxes for 15 years**
- **Tax-exempt interest on full sale price, exempt from income taxes**
- **Charitable contribution: Deduct from 100% of income for up to 16 years**
- **Marketability: Sell IPA to bond investors for cash prior to maturity**

# NJALT Uses and Sources of Funds

## USES

|                          |                |
|--------------------------|----------------|
| Guaranteed Loan for Land | \$500,000      |
| IPA for Easement         | <u>500,000</u> |
| Purchase of Land         | \$1,000,000    |

## SOURCES

|   |                  |
|---|------------------|
| Sale of Land at Discount                            | \$350,000        |
| Sale of Easement                                    | <u>750,000</u>   |
| Proceeds of Sale                                    | \$1,100,000      |
| Repay Guaranteed Loan                               | <u>(500,000)</u> |
| Expenses, Interest on Loan<br>and IPA, Acquisitions | \$600,000        |

# Virginia Farm Preservation Partners, LLP



- **Limited partnership to acquire farms, sell easements, sell land, retain interest**
- **Limited partner: Conservation investors**
- **General partner: Evergreen**
- **Funding: Investor equity, debt**

# Roles for VFPP



- **Acquire farms important to Virginia Beach**
- **Sell easements on acquired farms to City preservation program**
- **Sell farms (deed-restricted) to innovative farmers: \$2,500/acre**
- **Retain interest to encourage ag use**

# Return to VFPP Investors

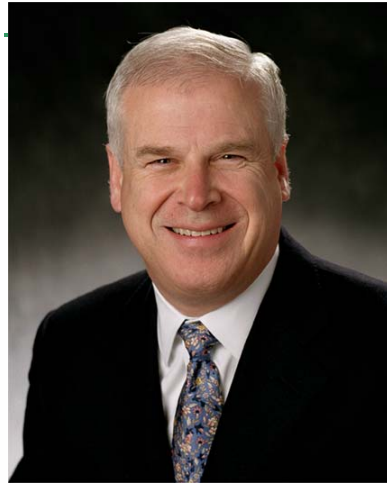
## USES

|                       |                |
|-----------------------|----------------|
| Loan from Farm Credit | \$800,000      |
| Equity from Investors | <u>200,000</u> |
| Purchase of Land      | \$1,000,000    |

## SOURCES

|   |                  |
|---|------------------|
| Sale of Land at Discount                              | \$250,000        |
| Sale of Easement for IPA                              | <u>955,000</u>   |
| Proceeds of Sale                                      | \$1,205,000      |
| Repay Guaranteed Loan                                 | <u>(800,000)</u> |
| Expenses, Interest on Loan<br>and Return to Investors | \$205,000        |

# Contacts for Information



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