



**1989 Annual Report of the
STATE AGRICULTURE DEVELOPMENT COMMITTEE**

STATE AGRICULTURE DEVELOPMENT COMMITTEE

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STATE AGRICULTURE DEVELOPMENT COMMITTEE

ANNUAL REPORT FOR FISCAL YEAR 1989

BACKGROUND:

The State Agriculture Development Committee, (SADC or Committee) was established by the Right to Farm Act, N.J.S.A. 4:1C-1 et seq., P.L. 1983, c. 31. In general, the Committee's mandate is to advocate and promote the interests of productive agriculture and farmland retention. Specific duties and responsibilities towards achieving this mandate are detailed in the Right to Farm Act and the Agriculture Retention and Development Act, N.J.S.A. 4-1C-11 et seq., P.L. 1983, c. 32.

KEY OBJECTIVES FOR FISCAL YEAR 1989:

At its July, 1988 reorganization meeting the Committee unanimously supported the following objectives:

- * The continued efforts towards the long-term stabilization of productive farmlands through the existing easement purchase mechanism.
- * The implementation of the newly legislated fee simple program which permits the Committee to acquire farmland in fee simple and then resell the property with permanent deed restrictions against future non-agricultural development.

The Committee also emphasized the importance of securing additional funding sources needed to satisfy ever-increasing program participation.

PROGRAM OVERVIEW- Fiscal year 1989:

Fiscal year 1989 continued to be a transitional and critical time for the SADC--As the application submissions continued, program competition increased. Criteria was needed to evaluate the quality of applications. With such a tremendous demand for available funds, a method was needed to ensure that all counties were eligible to receive a portion of the 1981 Bond Funds. The overall impact of these policy developments ensured the SADC of meeting its goal of 10,000 acres of permanently preserved farmland.

Key partners in this joint preservation effort have been County Agriculture Development Boards. Through their efforts \$73.5 million dollars was leveraged at the county and municipal level to share in the cost of easements. Their strong efforts contributed to the continued increase in applications to the program.

EIGHT YEAR FARMLAND PRESERVATION PROGRAMS:

A critical part of the overall farmland preservation effort involves the eight year program option. Landowners enroll their land in farmland preservation programs, thus agreeing to a deed restriction which requires that their land be actively farmed and prohibits non-agricultural development for a period of eight years.

The landowner receives no direct compensation for accepting the restriction but does become eligible to apply for cost share grants from the SADC for aproved soil and/or water conservation projects. In addition eight year program participants accrue benefits such as additional protection from eminent domain takings and nuisance suits. Eight-year program participation by the landowner is required in order for them to sell their development rights.

At the end of FY 1988 there were 212 farms totaling 24,467 acres in 15 counties enrolled in eight-year programs. At the end of FY 1989 there were 249 farms totaling 27,789 acres in 16 counties. The net gain during the year was 37 farms with an aggregate of 3,322 acres.

Table 1.

Program Participation as of June 30, 1989

	Eight-Year Programs *	Soil and Water Projects		Easement Purchase Application *	Completed Easement Purchases *
		Approved	Completed		
Atlantic	79/5,445	80	79	--	--
Burlington	30/5,913	18	9	53/7,442	9/1,237
Camden	5/417	5	4	--	--
Cape May	2/195	2	--	--	--
Cumberland	33/2,889	27	18	--	--
Gloucester	10/886	8	8	2/320	--
Hunterdon	27/2,759	4	1	25/2,903	11/1,457
Mercer	2/499	1	1	5/330	1/122
Middlesex	2/112	2	1	1/93	--
Monmouth	11/1,503	1	1	9/1,149	4/397
Morris	15/928	4	3	3/252	6/438
Ocean	1/118	1	--	--	--
Salem	17/4,328	15	16	--	--
Somerset	3/173	2	2	2/59	1/86
Sussex	2/286	3	2	3/358	--
Warren	10/1,338	6	1	24/2,481	--
Total	249/27,789	179	146	130/15,700	32/3,737

* Number of Farms / Number of Acres

SOIL AND WATER CONSERVATION PROJECT COST SHARE GRANTS:

Participants in eight-year farmland preservation programs are eligible to receive up to \$50,000 in 50% cost share grants from the State farmland preservation bond funds. A wide range of eligible projects as adopted by the State Soil Conservation Committee are available for funding provided there is a proven technical need and that the completed project meets all required standards.

The actual amount any one participant can receive during the eight year period is calculated on a sliding scale, adopted by regulation, and based on the total number of acres in the enrolled farm. The landowner receives no funds "up front"; instead money is reserved (obligated) by the SADC, at the time of project approval, at 50% of the estimated eligible project cost. Payment to the landowner is made after successful installation of the entire project or when single, independent components of the project are completed.

If the costs are less than projected or the landowner does not install the practice within the time allotted, the unexpended funds return to the pool for use by other applicants. The Committee dedicated \$3 million of the 1981 Farmland Preservation Bond funds for these purposes.

Table 2.

Soil and Water Project Approvals

FY	Cumulative # of Projects approved	Total 50% Cost	Cumulative # of Payments	Cost
1988	143	\$2,298,837	83	\$866,867
1989	179	\$2,837,552	146	\$1,205,209
Net 1989	36	\$538,715	63	\$338,342

At the end of FY 1988 approvals had been given to 143 projects at an estimated 50% cost of \$2,298,837. Of those totals, 83 full or partial payments were made for a total expenditure of \$866,867.

At the end of FY 1989 approvals had been given to 179 projects at an estimated 50% cost of \$2,837,552. By the end of the year, 146 full or partial payments had been made at an estimated 50% cost of \$1,205,209. The net activity for FY 1989 was 36 project approvals at an estimated state cost of \$538,715, with 63 full or partial payments made for an actual expenditure of \$338,342.

PURCHASE OF DEVELOPMENT RIGHTS:

Cost share grants to counties for the purchase of development rights which result in restrictions permanently preventing future non-agricultural development on farmland represent the primary expenditure of funds by the SADC. The development rights are purchased by the county in which the farm is located. The county owns the resulting easements. Although counties are free to purchase the rights via independent programs, their primary efforts to date center around State cost-share funding to leverage their own funds.

Counties accept and review applications based on their county criteria. Once they have preliminary approval these applications can be submitted to the SADC for its determination of which farm acquisitions the Committee is willing to provide cost share grants, subject to available funds and any other conditions established by the SADC.

Historically, applications from counties arrived monthly and the Committee evaluated them for conformance with county standards and those established by the SADC. In most cases the SADC granted preliminary approval to the applications within a month of receipt by the Committee. The counties would then commission two independent appraisals per farm to determine the easement value. Once completed these appraisals are sent to the Committee for its review and final certification of the maximum value that the State could cost share against.

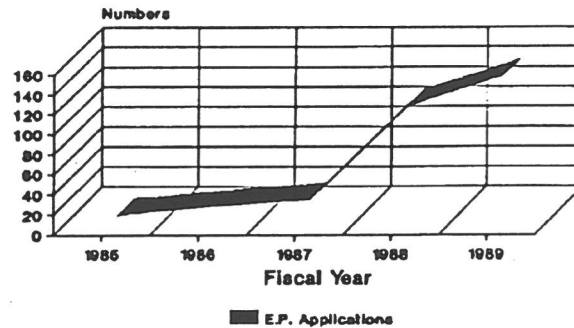
Following successful county negotiations with the landowners, final approvals for the purchase are given by the municipality, county and the state. At the closing the landowner receives the agreed upon price from the county and the SADC provides a check for the established cost share grant amount to the county.

Until FY 1988 applications for easement purchase trickled in at a rather slow rate. In FY 1988 there was a sudden surge of applications from counties. As of June 30, 1988 there were 113 applications for easement purchase from eight counties, with preliminary SADC approval in the process of being appraised.

Applications continued to arrive in FY 1989, but the SADC stopped accepting new applications by December 1988. It became obvious that the potential value of the easements far exceeded the \$33 million remaining in the 1981 fund set aside by the SADC for easement purchase.

Table 3.

Application Numbers Skyrocket for Easement Purchase Program



As of June 30, 1989

The sudden influx of applications, as noted above in Table 3. was generally attributed to three factors:

- 1) Greater county recruitment efforts prompted by the increase of state cost share grant limits from 50% to 80% as a result of amendments to the Farmland Preservation Bond Act of 1981, Public Law 1981, Chapter 276, and to the Agriculture Retention and Development Act, Public Law 1983, Chapter 32;
- 2) Farmland owner concern and uncertainty of the effect of the evolving State Development and Redevelopment Plan on their land values;
- 3) The softening of the real estate market made the SADC program more attractive.
- 4) Better landowner understanding of the personal/estate planning merits of selling development rights while still retaining the farm.

In response to the surge of applications which appeared to be a trend the State Agriculture Development Committee made several critical rule and policy changes.

1) **CRITERIA DEVELOPMENT** -- In October of 1988 N.J.A.C. 2:76-6.16 was adopted. This was a landmark rule in that it provided a comprehensive set of criteria to evaluate all applications for their "long-term agricultural viability" at the time of preliminary and final approval. This numerical mechanism allowed applications for the first time, to be ranked individually, statewide and by project area. Factors included, soil quality, adjacent land uses, size and contiguousness of the application and the project area, along with the local commitment to farmland preservation efforts.

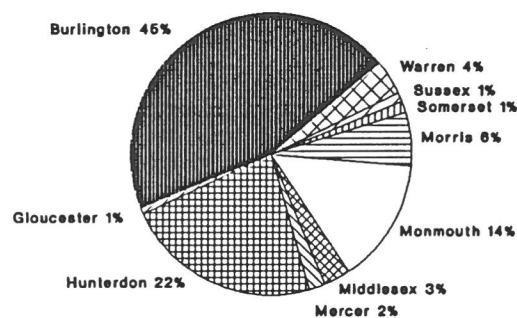
2) **EARMARKING-EASEMENT PURCHASE FUNDS** -- In December 1988, approximately \$33 million, designated for easement purchase remained uncommitted to specific projects. The value of the applications with preliminary approval was estimated at about \$136 million. Such a demand created problems in that not all counties were far enough in the process to request final approval. It was not until final approval that funds were set aside for specific applications. Based on a "first come, first served" philosophy the danger existed for some counties to miss out on funding.

To remedy the situation and attempt to ensure geographic distribution of the 1981 Bond Funds, the Committee reviewed all the applications using the newly adopted ranking criteria and identified "key" applications among the counties that they wished to purchase. In order to purchase the selected farms with the available funds the estimated state:county cost-share ratio was 48%:52%.

The \$33 million was earmarked among the counties pro rata according to the number of applications and the estimated easement value of the identified "key" farms. The counties were given flexibility as to how many farms they would acquire provided that the state match did not exceed 80% on any one farm and that no additional state funds would be forthcoming beyond the earmarked funds. The SADC granted final approval of a cost share grant to counties on an individual farm basis. See Table 4. for the relative percentages.

Table 4.

Earmarking Funds for Easement Purchase



Percentage of \$33 Million

As of December 15, 1988

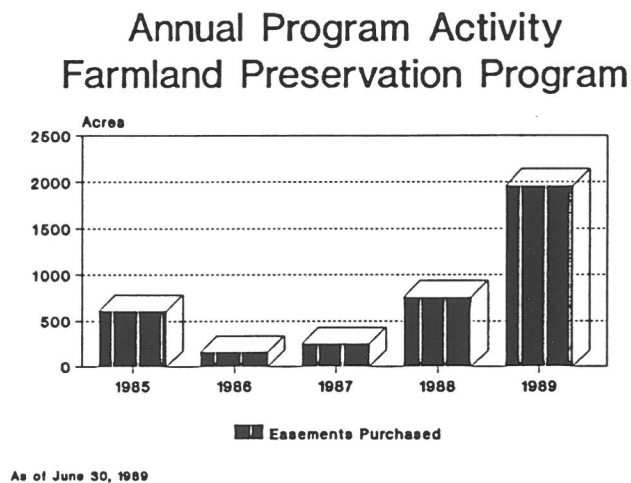
3) **YEARLY FUNDING ROUND ADOPTED** -- With an ever mounting pool of applications to consider and the prospect of future funding sources from a second bond issue, the Committee felt it prudent to adopt an annual application cycle. This cycle makes it easier to evaluate all the applications at once with the ranking system. The application deadline for Fiscal Year 1990 was set for November 1, 1989.

4) **RESIDUAL DWELLING SITE OPPORTUNITY** -- Discussion of this provision took the better part of a year, but was finally adopted in January of 1989. It provides the opportunity to construct a dwelling after the property is deed restricted. A landowner is eligible for up to one RDSO per 50 acres. The County Agriculture Development Board and the SADC must approve the requests, after reviewing the number of existing dwellings and any dwellings and other areas excepted from the property. In order to conform to the Statute these dwellings can only be constructed if they are for an agricultural purpose. This provision provides flexibility to the program as agriculture in New Jersey continues to evolve.

RESULTS:

As of June 30, 1989 easements had been acquired on 32 farms totaling 3,737 acres in six counties representing a total state grant expenditure of \$16,681,188. The net activity for the fiscal year was 15 farms in four counties with an aggregate of 1,961 acres and a total state cost share grants of \$13,699,147. See Table 1. for a breakdown of acres in each county. The balance of the earmarked funds set aside for future closings was \$23,186,143. Table 5. illustrates the annual activity.

Table 5.



FEE SIMPLE ACQUISITION:

One of the Committee's prime objectives for the year was implementing the fee simple component of the Farmland Preservation program. Approximately \$4.7 million of the 1981 Bond funds had been set aside for this purpose. A fee simple program permitted the SADC to purchase a property outright and then resell the parcel deed restricted for agricultural purposes.

The first potential project selected was a 465 acre farm in Salem County. This farm appealed to the Committee for several reasons. It had generally productive soils and was strategically located among other prime farms in a county that had not previously been active in the easement purchase phase of the program. It also afforded the opportunity to work a cooperative project with another State agency and a private non-profit organization.

The Nature Conservancy, a national non-profit agency was interested in the property because several endangered bird species nested in the pastured areas of the farm. Following an agreement with the SADC in February 1989, the Nature Conservancy acquired the property. Without their timely intervention the land would have sold for "development".

When the SADC purchases the farm it will resell approximately 190 acres to the Department of Environmental Protection, Division of Green Acres. Green Acres will then turn over the management of the property to the Division of Fish Game and Wildlife. Their management will encourage the continued habitat protection for the nesting birds. The remaining 272 acres of the farm will be sold at auction permanently deed restricted for agriculture. In addition to preserving agricultural areas, the sale of this property and others in the future will provide much needed comparables sales for deed restricted properties.

At the end of fiscal year 1989, the fee simple purchase was still pending.

PROGRAM DEVELOPMENT GRANTS:

The Committee continued to offer limited Program Development grants to County Agriculture Development Boards to assist them in developing their programs related to the State farmland Preservation program. Some examples of grant uses have been: administrative uses, landowner contact programs, educational projects and seed money for TDR mapping efforts. The approval of each grant was based on standards established by the Committee and verification that there was a county match for the amount requested. This match could be a direct contribution out of the county budget or a match with in-kind services.

The base grant is \$3,000 but counties may request additional monies for special projects that they feel have statewide importance. None of the 1989 Special Requests were approved. In FY 1989 approval was given to grants totaling \$42,000, for 14 counties. Note: awards are made to counties on a calendar year basis to accommodate the county fiscal year: therefore, on occasion a county may receive two grant payments in one SADC/State fiscal year. Table 6 reflects the total amount of grants given to the counties since the programs inception.

Table 6.

PROGRAM DEVELOPMENT GRANTS -- Cumulative Activity as of June 30, 1990

							County
	10/83-12/84	1/85-12/85	1/86-12/86	1/87-12/87	1/88-12/88	1/89-12/89	Totals
ATLANTIC	0.00	3,000.00	0.00	10,000.00	5,000.00	3,000.00	21,000.00
BURLINGTON	10,000.00	0.00	3,000.00	7,784.00	13,000.00	3,000.00	36,784.00
CAMDEN	0.00	0.00	3,000.00	3,000.00	3,000.00	0.00	9,000.00
CAPE MAY	0.00	0.00	3,000.00	0.00	3,000.00	0.00	6,000.00
CUMBERLAND	0.00	3,000.00	2,232.00	4,930.00	12,000.00	3,000.00	25,162.00
GLOUCESTER	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	18,000.00
HUNTERDON	3,000.00	3,000.00	3,000.00	5,000.00	3,000.00	3,000.00	20,000.00
MERCER	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	18,000.00
MIDDLESEX	0.00	0.00	0.00	3,000.00	3,000.00	3,000.00	9,000.00
MONMOUTH	9,066.15	3,000.00	0.00	3,000.00	3,000.00	3,000.00	21,066.15
MORRIS	5,500.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	20,500.00
OCEAN	0.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	15,000.00
SALEM	1,000.00	1,500.00	0.00	1,660.00	9,600.00	3,000.00	16,760.00
SOMERSET	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	18,000.00
SUSSEX	3,000.00	3,000.00	0.00	3,000.00	3,000.00	3,000.00	15,000.00
WARREN	8,000.00	3,000.00	0.00	3,000.00	3,000.00	3,000.00	20,000.00
TOTAL	48,566.15	34,500.00	29,232.00	59,374.00	75,600.00	42,000.00	289,272.15

