

WHY A FARMER MIGHT BE INTERESTED IN PARTICIPATING IN A PACE (PDR) PROGRAM

- 1. Business Conversion/Capital Need:** A farmer who wants to stay in agriculture may need investment capital now. He may wish to invest in more land, in other business improvements, to pay down debt, or for any other reason. Borrowed capital may be unavailable or too expensive. Currently, the only way this farmer can extract the appreciated value while staying in business may be to sell out and move the entire farming operation to another location where land is cheaper or to sell part of the land. PACE can provide this capital without such a sale or move. (This assumes the farmer feels selling the development value now is a good overall business move - it assumes the farmer is willing to reduce his investment in land to achieve other purposes he values more highly - see below.)
- 2. Semi-Retirement:** A farmer may want to retire or semi-retire and reduce his workload but doesn't yet want to move off the farm. PACE programs can provide the capital to make that possible while allowing the farmer and family to remain on the farm if desired.
- 3. Personal Conviction:** A farmer may want to retire and/or sell but feels strongly that he doesn't want to see his life's work (a well run, productive farm) end up broken into small pieces for development. A PACE program can allow him to protect the land from development while receiving its full cash value and not suffering any financial loss. (He sells the easement to the program, then sells the underlying fee to another farmer, and ends up financially whole. With some programs, he can sell outright to the program which places a restriction on the land and then resells back to another farmer in the private economy.)
- 4. Estate Liquidity:** An older farmer may need cash liquidity in his estate so all his children can be treated fairly or so taxes can be paid. Currently, he may have no choice but to break the farm up into little parcels none of which is economically viable alone. A PACE program can provide the cash to allocate among the children while keeping the farm intact and viable.
- 5. Land Acquisition and Expansion:** An existing farmer may need to buy more farmland to expand his operation or a new/young farmer may need to buy his first farm. Both need to be able to find land at a price that their farm business can support. Neither can afford to compete with the whims of a recreational buyer employed by Microsoft. PACE programs make such land available to them at a price a farm business can afford to pay. Sometimes farmland buyers and sellers make the sale of development rights to such a program a contingency in their purchase and sales agreements - the seller ends up with the full price, the buyer ends up only paying for the ag value. Or, sometimes the program might buy the land, restrict it, and sell it at an ag price to the ultimate buyer.

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(Note: This document was originally written for American Farmland Trust at www.farmland.org .
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