

# Charitable Gifts of Working Land

Strategies for Land and Philanthropy



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## Executive Summary

### Purpose

Working lands are vital to a state's ecological and economic well being, capable of providing clean water and air, wildlife habitat, and contributing to the local economy. Unfortunately working lands are being lost at alarming rates. One reason for this loss is that many private landowners, collectively managing almost a billion acres of forests, farms, and ranches, are aging. Passing on farm and forestland to the next generation can be complicated, especially if potential heirs are unwilling or unable to manage the land.

In a recent report by the Pinchot Institute's Working Lands Program, it was discovered that out of 85 interviews with landowners across the United States, up to 20% of the landowners had a current or expressed interest in giving their land away to charity, if the charitable organization kept it as working land and used the revenue to support their mission.

Although investing in farm and forestland is common, few charitable organizations are set up to take donations of working land. This report gives a brief introduction to some of the organizations and programs currently receiving and managing working land donations.

The research for this report included a literature review and interviews with individuals working in the field of development and land conservation. In total 14 interviews were conducted with individuals from organizations across the U.S.

### Findings

#### Organizations currently holding working land

Many charitable organizations solicit donations of real estate but only a handful accept working land donations as an endowment or investment strategy. Most of the working land donation programs are held at universities such as Mississippi State, Clemson University, and Auburn University. Land Trusts will hold and manage land, but usually for mission related reasons rather than as an investment. There are also a couple of charitable foundations that hold and manage large acreages of forestland as an investment.

#### Types of donations accepted

Donations can come to organizations as outright gifts, bequests, retained life estates, or life income plans. Most programs will accept any type of donation but life income plans can be more difficult to manage when the asset does not produce steady, annual revenue. A majority of the land donations are currently made as outright gifts, bequests, or retained life estates. More creative structures are being developed however, and some provide significant advantages to donors and organizations.

### Marketing

Successful programs all have strong marketing strategies. Whether it be through websites, TV or radio commercials, or knowledgeable development staff, it is important to be vocal about the program. Word of mouth is the most successful tool for many programs.

### Management Models

Forestland is most commonly held outright by the accepting organization and managed with local consulting foresters. Some organizations with larger tracts of land have in-house management staff, as well as forestry-oriented land trust. Farmland can either be owner-operated or land lease managed. The majority of charitable organizations utilize land leasing. Some common leases are: crop share lease system, lease with the option to purchase, ground leases, and sliding scale lease.

### Criteria for Accepting Land

It is crucial that the organization have clear acceptance criteria to avoid land that could present significant liability. Some factors that existing organizations consider are location, acreage, soils, markets, neighboring land uses, mineral rights, and water rights. The criteria vary based on the amount of returns the organization is looking to receive, their mission, geographic location, and type of donation they are receiving.

### Conclusion

Through examining case studies, it is clear that donations of working land are able to deliver financial, environmental, and social returns. There is going to be opportunity in the coming years for organizations to support aging landowners, bolster the local economy, and create a long-term investments through the creation of a charitable giving programs. During a recent working lands finance conference hosted by the Western Landowners Alliance, a representative from US Trust's Real Asset program suggested that philanthropic giving of working land assets could become one of the fastest growing forms of philanthropy in the United States.

### Acknowledgements

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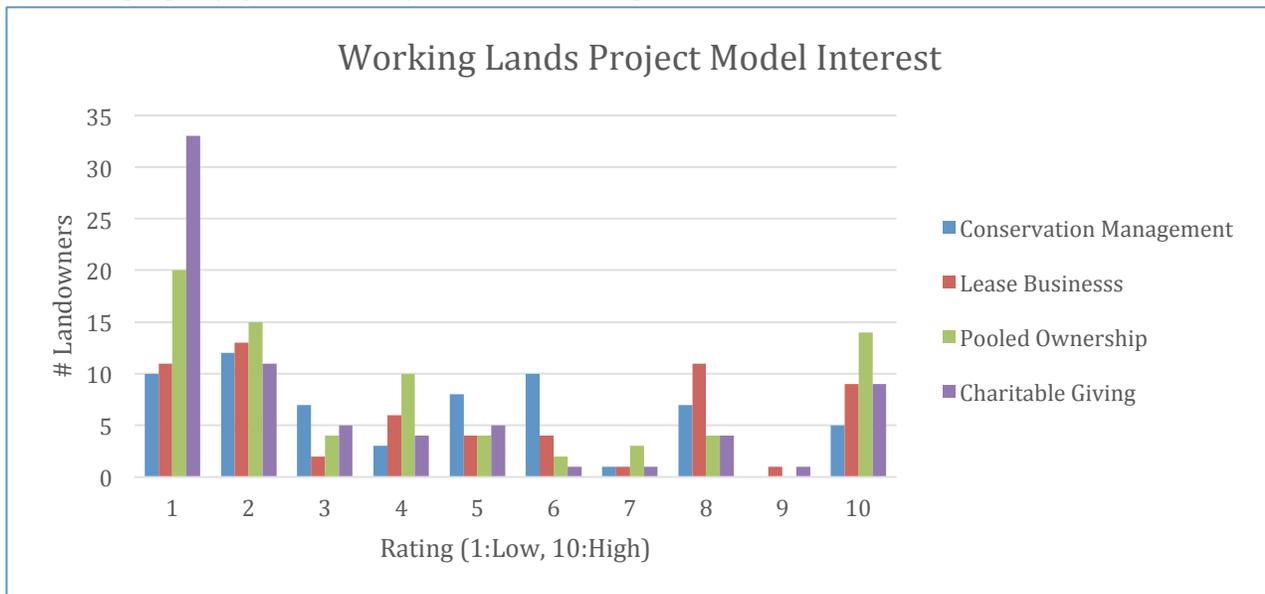
## Introduction

Many charitable organizations have successful real estate planned giving programs. Typically, an organization will sell the donated property and then use the proceeds to support their mission. With the donation of working land, however, the opportunity exists to retain property ownership long term and manage for ongoing revenue as a stable real asset investment. In many cases, this strategy aligns with the needs of the community and the mission of the charitable organization. By keeping the land in the hands of a charitable organization, it enables the organization to conserve the land while generating financial returns, providing employment in the community, and supplying local food, fiber, or timber products.

## Working Lands Project Findings

Over the past year the Working Lands Project (WLP), at the Pinchot Institute for Conservation, has been evaluating, through landowner interviews and focus groups, farm, ranch, and forest investment vehicles and ownership models that create measurable conservation and community benefits. The four models being assessed were charitable giving of land, a long-term land lease, a conservation management company, and a true “cooperative” pooled ownership structure.

WLP determined that Up to 20% of landowners interviewed expressed a current or future interest in giving their land away to a charity, provided that it remains as working land and that the future revenues from the property go to a charity of their choosing.



If these findings are representative of the larger population than there is an opportunity for charitable organization to step in to conserve these working lands.

There are several organizations that have recognized this opportunity and created successful working land donation programs, capable of producing environmental, social, and financial returns. The purpose

of this report is to summarize methods for attracting and accepting donations, several management structures, and criteria for accepting land that these programs use. The organizations included are:

Mississippi State University  
Whitman College  
Clemson University  
Auburn University  
Ross Foundation  
E.H. Sumner Foundation

Vermont Land Trust  
The Nature Conservancy  
The Conservation Fund  
New England Forestry Foundation  
PCC Farmland Trust  
Yale University

## Basics of Land Donation Programs

### Types of Organizations Accepting Land

The charitable organizations that manage working land as an investment are typically foundations or land trusts. Of the foundations, most are university foundations but there are some charitable foundations not attached to a university that will hold and manage land, such as the Ross Foundation and the E.H. Sumner Foundation. Land trusts will manage working land but usually for more mission related reasons, using active forest management as a tool to restore the land or to support other management activities.

A common issue for working land donation programs is the balance between managing for ecological or educational versus financial reasons. Programs that are focused on education or conservation typically generate lower returns. Some land trusts, like the PCC farmland trust, are mainly mission driven so they have to support their working lands with charitable donations. Even though most of the programs require some level of sustainable management practices, the programs that are focused on financial returns tend to have a less visible emphasis on sustainability.

### Types of Donations Accepted

#### Outright Gifts, Bequests, and Retained Life Estates

Outright gifts, bequests, or retained life estates are the most straightforward donations for organizations to accept. With outright gifts, the deed for the property is transferred to the accepting organization and the donor can deduct an income tax charitable deduction equal to the property's full fair market value and avoid capital gains tax. A retained life estate has similar tax benefits as outright gifts but the donor can maintain ownership of the property for the remainder of their life. A bequest also defers the gift until after the donor's lifetime but it does not come with a tax benefit. The benefit of a bequest is that it offers the donor the flexibility to change the designation if necessary.

#### Life Income Plans

The other options that might interest donors are life income plans. Life income plans benefit both the

donor and the organization during the donor's lifetime. The donor transfers an asset to a charitable organization in return for a life income to any designated beneficiary and the remaining principal will pass on to the charity at the death of the beneficiary. There are two common types of life-income plans: a charitable remainder trust and a charitable gift annuity. A charitable gift annuity is a simple contractual agreement between a charitable organization and the donor whereas a remainder trust is a legal trust.

<b>Type of Gift</b>	<b>Landowner Goal</b>	<b>Making the Donation</b>	<b>Benefits of the Donation</b>
Outright Gift	Landowner makes a gift of land to the organization and maximizes the Charitable income tax deduction	Landowner deeds the land to the organization	Eliminate burdens of ownership, immediate tax deduction, eliminate capital gains tax
Bequest	Landowner defers the gift of land until after their lifetime	Landowner names the organization in their will or living trust	Easy to create, reduce estate tax liability, lifelong control of assets
Retained Life Estate	Landowner makes the gift of land now but continues to live on property	Landowner deeds land to the organization but retains occupancy and use	Lifetime use of residence, immediate tax deduction, reduce estate tax liability
Charitable Remainder Trust	Landowner secures income from the land for a lifetime or term	Landowner creates a trust for the land that generates payments; remainder benefits the organization	Payments for life or term, immediate income tax deduction, avoid up-front capital gains tax, eliminate burden of property ownership
Charitable Gift Annuity	Landowner receives lifetime income from the land	Annuity is funded by the organization through the sale of Timber, income from farmland, or other sources	Receive lifetime income, partial income tax deduction

While life income payments are a popular option for the transfer of cash or securities, it is more complicated when it comes to donations of land. Forestland, in particular, does not generate income

yearly so producing yearly income payments can be burdensome for charitable organizations. Most organizations consider it a best practice to accept all types of donations and to present donors with a host of options, however only the New England Forestry Foundation (NEFF) had experience creating a life income plan for working land donations. It required considerable legal work to set up. Overall, requests of life income plans for land donations are rare and most donations come to organizations as outright gifts or bequests.

### **Pooled Timber Income Fund**

The New England Forestry Foundation has a program that accepts donations in the form of a pooled timber income fund. Modeled after a standard pooled income fund, donors can donate their forestland into a fund and receive yearly payments proportional to the value of timber donated. Penny Flynn, the Development Manager at NEFF, explained that donations of land have slowed for their organization because many landowners are not able to give away their largest asset without something in return. NEFF hopes that by providing the option of a pooled income fund some of the donors concerns will be addressed and the pace of private woodland protection would be increased.

### **Marketing**

Marketing of planned giving programs plays a large role in the number of donations received by an organization. The more successful programs all actively pursue donations and have philanthropy teams well versed in real asset giving. Mississippi State advertises through radio and TV commercials, well-crafted marketing material and websites, and word of mouth from forestry alumni. The New England Forestry Foundation has had success with mass mailings to all of the landowners enrolled in Massachusetts' Chapter 61a, the reduced tax program for forestland.

A successful tool for all programs is word of mouth. For forestland, consulting foresters often point landowners towards donation programs. For farmland, members of the farming community are the biggest advocates. Also, having boards and executive directors who value planned giving is an important factor for many organizations.

### **Vermont Land Trust**

The Vermont Land Trust mainly holds conservation easements and does not own many properties long term but they do have a robust real estate donation program. They have received farmland, forestland, and residential properties. In fact, their headquarters is now at a property that was donated. For forestland and farmland, the Land Trust will most often put a conservation easement on the property and resell it. Christa Kemp, their development director, explained that their success is due to a former executive director, Darby Bradley, who understood the importance of planned giving. Bradley would start conversations early on in a donor relationship about end of life giving. After a few early successes, the board and staff realized the impact planned giving can have and started to reach out to their networks and other donors. Soliciting end of life gifts can be a long process, involving difficult conversations, and often requiring a strong relationship with the donor but once these relationships are made it can generate

significant support for an organization.

### **General guidelines for accepting real property donations**

Before an organization decides to accept any land or real estate donation, there should be a process in place for assessing and accepting donation offers. Usually this will involve an initial landowner interview, due diligence on the property, and a site visit. The ultimate decision to accept will largely be subjective, based on the observations of the development staff that visit the property and speak with the landowner, especially since most programs will not require a full appraisal or forest inventory before they make the decision to accept a property. However, it is beneficial to have general guidelines to avoid properties that could end up as a liability.

Most programs do not accept mortgaged properties as a donation. If a mortgaged property is to be taken, a clearly established method for the payment of the debt must be determined. Also great care is given to make sure no organization is accepting any property that comes with environmental concerns. Often the organization will obtain a Phase I Environmental Site Assessment and if there are areas of concern, a phase II or phase III audit will be performed.

The costs of the initial due diligence can either be covered by the donor or the accepting organization. From a development perspective, making the donation as easy as possible for the donor is preferable but for smaller organizations or donations under a certain value, organizations may require the donor pay all the transfer costs, including title searches, all real estate taxes, and environmental audits. Either way it is the responsibility of the donor to obtain an appraisal of the property if they wish to receive a charitable tax deduction.



## Forestland Programs

Many forestland donation programs are held at educational foundations. The University of Mississippi, Clemson, and Auburn University are just a few that have programs. Land trusts also actively manage conserved properties for a variety of reasons including revenue, including the New England Forestry Foundation, the Conservation Fund, and The Nature Conservancy. In all cases the forestland is managed sustainably, for multiple benefits, and mostly conserved in perpetuity. Some major differences between how the programs are set up and managed are due to the extent to which they are focused on revenue versus ecological or educational benefits, and the size and number of parcels that are managed.

## Management Models

### Managing multiple properties for revenue

For programs at educational foundations, forestland is transferred to the foundation with an outright gift or bequest and the land is managed much like industrial timberland with forestry consultants. Some universities like Yale University have a greater emphasis on education and research, whereas Clemson and Mississippi State are mostly focused on revenue. Organizations rarely put an easement on the properties, but most do plan to manage the properties in perpetuity.

#### Bulldog Forests

One of the more successful forestland donation programs is housed at Mississippi State University. The [Bulldog Forests Program](http://bulldogforest.msstate.edu/)<sup>1</sup> has attracted an impressive 30,000 acres across the most productive regions of the U.S. South. Jeff Little, the director of the Bulldog Forests, expects another 30,000 acres to be added to their portfolio in the coming decades, all of which they plan to hold and manage in perpetuity. He attributed the significant interest in land



donations to several factors including the successful marketing of the program, the demographics of private landowners in Mississippi, and the fact that Mississippi State is

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<sup>1</sup> <http://bulldogforest.msstate.edu/>

the only organization in the area that will commit to keeping donated land intact, as working land.

To manage each property, Mississippi State relies on the forestry faculty, a team of volunteer foresters, and consultants. The forestry faculty assesses any properties close to the University, writes a management plans, and hires consultants to manage harvests. For properties outside of Mississippi, they rely on volunteer foresters, usually alumni, to write the management plans and hire consultants. The forests that MSU owns are managed mostly for revenue but they manage some for education or research, especially if it is ecologically diverse or easily accessible.

Mr. Little explained that at this point in the program most of their properties have young timber and timber prices are low so they are a long way off from seeing most of the revenue. However, they have funded millions of scholarships over the years and in 70 years they will see the real benefits of the program. Several universities have reached out to Little recently to start programs modeled after Bulldog Forests.

### Managing multiple properties for multiple benefits

Some programs manage forests for research and educational purposes with revenue being a less important factor. In most cases the revenue will either go back into the management, educational programs, or be added to the endowment.

#### Yale School Forests



The Yale School of Forestry and Environmental Studies<sup>2</sup> owns and manages seven forests across New England. The majority of the land was donated in the early 1900s by Alumni. Each forest is managed, to a varying degree, for education, research, and revenue operations. The largest forest, Yale Myers, is 7,840 acres. Because of the size and proximity to the school, this forest has heavy educational and research use. The second largest forest, Yale Toumey Forest, is 1,930 acres and is located in New Hampshire. Though this forest is smaller it generates larger returns because it is managed for timber but also because of the site, species composition, and strength of the wood products industry in the area. The remaining forests are all managed for supplemental income.

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<sup>2</sup> <http://environment.yale.edu/forests/>

Not all the forests are self-sufficient but between them they pay for the cost of management and all the additional educational programs. The school decides to pay taxes on all of the properties as a demonstration that small holders can sustainably harvest. Mark Ashton, the director of the Yale School Forests, estimates that without the educational programs the forests would return, on average, 3-4%.

Yale manages its forests with a forest manager apprentice program and a student forest crew that allows recent graduates and current students to learn skills necessary to be successful foresters. The school does not hold conservation easements but does not plan on selling any large parcels. They are not opposed to trading developable properties for more forestland.

Ashton emphasized the importance of being selective with what land to accept. Two of the forests in Yale's portfolio are heavily cut over and will not be merchantable for many years. Yale requires that each donation come with an endowment to cover taxes and management until the forest reaches a harvestable age. This is especially important in New England where the timber industry isn't as profitable as other regions of the country. Yale is offered donations of land with some frequency and they are interested in taking on more properties as long as it meets their requirements for ecological or financial benefits.

### Managing one large property for revenue

Several foundations have been established on single large tract of forestland. In these cases an in-house forestry staff may manage the property or timber will be leased out to a timber company, Timber Investment Management Operation (TIMO), or Real Estate Investment Trust (REIT).

#### E.H. Sumner Foundation<sup>3</sup>

The E.H Sumner Foundation started in 1977 by Mary Sumner to honor her late husband who was in the timber industry and had large holding of forestland in Mississippi. The foundation sold their timber, with a 40-year lease, on their 20,000-acre property to Weyerhaeuser for \$23 million. The trust agreement that was originally drafted for the foundation stipulates that none of the land can ever be sold, and the income received must be used for the education of students. As of now the foundation has granted over \$100 million in tuition payouts to students across Mississippi.

#### Ross Foundation<sup>4</sup>

The Ross Foundation based out of Arkansas owns 63,000 acres, spanning the boundary between the West Gulf Coastal Plain and the southeastern limit of the Ouachita Mountains. Esther Clark Ross and Jane Ross founded the foundation in 1967 with the

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<sup>3</sup> <https://www.sumnersgrant.com/>

<sup>4</sup> <http://rossfoundation.us/>

donation of 18,000 acres of timberland that the family held. The added acres are close or adjacent to the original holdings and were acquired from International Paper Company. The Foundation is known for practicing sustainable forest management and conservation. They also allow the public on 20,000 acres for recreational activities and allow hunting on certain acres.

Mark Karnes, the Director of Operations at the Ross Foundation, explained that because of their emphasis on protecting unique areas and sustainable forestry their returns are slightly below the industry standard, but the foundation is happy with the returns they receive. They are able to manage the 60,000 acres with five staff members and contractors to do specific jobs. They have sold only a small portion of the assets since the foundation started, primarily outlying tracts that were difficult to manage.

### Other Models

In the above cases all of the revenue from the harvesting went back to the land-owning organization. There are some programs that combine conservation with economic incentives for donors. These programs, though small in number, present another options for landowners to donate land.

#### New England Forestry Foundation<sup>5</sup>

The New England Forestry Foundation's Pooled Timber Income Fund is a brand new program with only one landowner currently participating. They have had considerable interest in the program and are hopeful that more landowners will join. Participants donate their timber to NEFF and receive about 2% returns off of their timber every year during their lifetime. Spouses or children can also be beneficiaries. The land is managed in the same manner as NEFF's other 145 properties, with local consulting foresters. All the properties are Forest Stewardship Council and Tree Farm certified. To get the program started, NEFF has contributed several of their properties with a short-term lease. The Nature Conservancy in Massachusetts has also leased several of their properties into the program.



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<sup>5</sup> <http://newenglandforestry.org/>

### The Nature Conservancy<sup>6</sup>

The Nature Conservancy started the Forest Bank program started in 1999. A landowner with a minimum of 15 acres or \$15,000 of standing timber and within a certain geographic area may “deposit” their timber into the bank. In this transaction, a conservation easement is placed on the property that allows for continued use and management of the property. That effective “deposit” states that the landowner will no longer have the right to harvest their timber. Instead, they receive a minimum 4% annual return on their deposit, just like a regular investment. The Nature Conservancy manages the timber harvests, and the landowner can either keep their deposit in the bank, or can make cash withdrawals. In the case that a landowner deposits \$20,000 of timber into the bank and a year later withdraws \$20,000 cash, the bank now owns their timber in perpetuity and can either let it grow or harvest as needed to improve the health and ecology of the forest. If the landowner keeps their “deposit” in the bank, they would continue to earn a regular return. While the model was initially touted as a nationwide business solution to conservation, it still requires a capital input in order to create liquidity for landowners. Potentially for this reason, or the complicated SEC and management implications of a Forest Bank, the Forest Bank only operates in Indiana and is still managed by The Nature Conservancy. The current bank has 43 landowners enrolled with a total of 4,355 acres.

### Additional income streams

Most of the programs take advantage of additional income streams to timber. The Bulldog forests, as an example, has hunting leases on almost all of their properties. Whitman College farms makes as much from a wind turbine project on one of the properties as they do on crop sales. The Conservation Fund has carbon projects on several of their properties in California and Oregon. There are also conservation incentive programs and tax incentives available for working land that organizations will take advantage of. These sources of income are important to cover expenses in between harvests.



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<sup>6</sup> <https://tinyurl.com/yd77h9xa>

## Forestland Acceptance Criteria

All of the organizations were highly selective with the properties they took on. Mississippi State, for example, only took about 50% of the donations that were offered. It is important to have a local forester properly assess the potential of any property but some factors that programs initially look for are:

<b>Size</b>	No program had minimum size requirement because the value of standing timber could be high enough to warrant small acreages, but in the Pacific Northwest a general guideline was 40 acres and on the east coast 100 acres
<b>Timber age</b>	Some programs are only able to take on properties that will be productive in the near future
<b>Structures / Homes</b>	The fewer structures the better
<b>Neighboring land use</b>	Neighbors have to be supportive of forestry operations
<b>Road Quality</b>	Property must be accessible
<b>Location</b>	Organization could require land be close by or in more productive areas
<b>Conservation Value</b>	Depending on the mission of the organization, conservation value could be important factor

Most organizations were looking for ease of management and low holding costs. In some situations, endowments from the donors to cover holding costs were required.

### Land Acceptance Criteria: Bulldog Forests Example

The donations that come to Mississippi State's Bulldog Forests are nearly half in the form of outright gifts and half in the form of retained life estates. Some of the attributes the foundation looks for when assessing the property are: size and location, presence of invasive species, quality and quantity of standing timber, neighbors supportive of forestry, tax rates, structures on the property that could be a liability, title and encumbrance issues, and the presence of endangered species. Jeff Little at Mississippi State often had to deal with neighbors that would destroy fences and trespass, and would recommend getting acquainted with the neighbors before accepting donations. The ultimate decision is made at the recommendation of a forester and the development staff that spoke with the landowner. According to Mr. Little the best property they can hope for is one of wall-to-wall timber and no structures.

## Farmland Programs

Gaining access to affordable, productive farmland is one of the greatest challenges faced by farmers today. Farmland owned by non-profit organizations, made available to farmers through leases, can help to address this issue while also bolstering the local agriculture economy and maintaining the communities' historic, cultural and scenic character. The majority of farmland donation programs are at environmental non-profits that are managing primarily for mission related reasons. There is, however, one program, out of Whitman College, that has taken advantage of donated farmland and managed it as part of their endowment.



There are two options for management: owner operated or land lease. With owner operated farmland the accepting organization oversees all management of the assets. This is more common among institutional investors, entities that pool money to purchase real property or other investments such as pensions or hedge funds. Institutional investors will often hire a third-party management company to handle the day-to-day activities. Charitable organizations will normally chose to lease properties to a farmer. Under a land lease a tenant will rent the property under a contract that gives them use and possession for a period of time with a specified payment amount and schedule.

## Types of Leases

A lease agreement will outline the duration of the lease, rent, who is responsible for taxes and utilities, uses of the property, responsibilities of the landowner, and insurance and liability issues.

Nationwide the most common leases for farmland are short-term leases, which range from 1-3 years. These leases offer a good deal of flexibility for both the landowner and the tenant but can bring uncertainty, which makes creating long-term business plans difficult. There is also less financial incentive to use sustainable farming practices. Most of the farmland donations programs used long-term leases, which can range from 5 to 99 years. These leases tend to encourage conservation practices that will improve soil and water quality. They also allow the tenant to develop a longer-term business and create connection in the community and with local markets.

Some longer-term lease structures that are used are crop share leases, leases with an option to purchase, ground leases, and sliding scale leases.

### Crop Share Lease System

Crop share lease systems allow the tenant and the landlord to share contributions and risks. The rent is paid as a cash-equivalent share of the crop produced on the property.

#### Whitman Farms

Whitman College has a successful real estate planned giving program but the only properties they retain long term are farms. They have 15 farms, totaling 21,200 acres across four counties, most of which came to the college as donations in the 1930s. The properties range in size from 250 acres to 9,000 acres.

They manage their farms through a crop share leasing system. The school receives 40% of the crop sales and the tenant keeps 60%. This percentage changes, with less going to the school, if the farm is located on a less productive site. Justin Rodegerdts, a financial analyst at the Whitman Business Office, says this lease structure works because both the tenant and the school have a vested interest in the tenant's success. It is also more forgiving in bad crop years.

For this program to be successful, Whitman relies on good tenants. The tenants are completely independent in deciding how to manage the farm. There is very little turnover of tenants. In Rodegerdts' time at Whitman, he has never had to find another tenant; the leases have been passed on to children several times. On one property the lease has been passed down two generations.

Rodegerdts is the only staff member managing the farms and he only spends 20% of his time on this program. "It is a smoothly run program that doesn't need a lot of intervention," he says. They have a volunteer farmland committee that is in charge of finding new tenants and doing once a year check in on each property. The committee members are all experienced farmers and members of the community, which has a rich agricultural heritage. Because they are deeply connected to the community, they know individuals who would do a good job managing each property and have maintained good connections with each of the tenants, offering help and advice when needed.

The returns that Whitman receives on the farm are lower than their general endowment, with farms generating \$1-1.5 million a year in revenue. However, they are assets that keep up with inflation and do not follow downturns in the market. They also have a successful wind farm on one of the properties, which generates considerable revenue.

Whitman continues to try and expand their farm holdings but only receives a donation about every five years. Rodegerdts hopes that if the community sees Whitman managing farms in a sustainable way, they will attract larger acreages in productive areas.

### Lease with the option to purchase

A lease with the option to purchase gives the tenant the chance to buy the property after the lease has ended. It does this through either a straight option, in which the tenant has the right to purchase for a specified price anytime during the lease, or the right of first refusal, which prevents the owner from selling the property to a third party without offering it first to the tenant. Either way the lease payments do not go towards the price of the property. A conservation easement will often be put on the land to ensure that it is kept affordable. This is beneficial to new farmers that are trying to get a start and raise the capital to purchase their own farms.

### PCC Farmland Trust

PCC Farmland Trust, based out of Seattle, WA, is a land trust working to secure, preserve, and steward threatened farmland in Washington. They both accept donated farmland and purchase farmland that has high conservation value or high value to the community.

PCC Farmland Trust generally will not hold properties long term. The organization operates by purchasing land, putting a conservation easement on it, and selling the relatively affordable and protected land to a farmer. Sometimes they will employ a lease with the option to purchase. The leasing structure is based off of yearly rent payments. If the farmer is switching to organic or doing soil improvement then the lease payments will be lowered for that time period. This works for the Trust because it is in line with their mission statement and they are often purchasing land with dedicated funds, which are required to be repaid within specified time periods.

The lease requires sustainable farm practices and a farm management plan but leaves the management of the farm entirely up to the tenant. This is why finding a good tenant is so important. The PCC farmland trust puts out a request for proposal with a detailed description of the property with every farm they purchase. They look for an experienced farmer with a good reputation and business plan. Most tenants hear about the leasing opportunity word of mouth, but there are also farm link programs in most states that connect farmers with available farmland.

Overall, the Trust's experience with leasing land is that it takes significant knowledge around

lease and property management. PCC Farmland trust has run into issues with tenants claiming bankruptcy and evictions. The legal battles require staff time and are costly. They have also had trouble finding tenants at the rate at which they are buying farmland. If they cannot find someone who is able to take over the lease they will use a contract service to disk the field and put on a cover crop.

### Ground Leases

Ground leases allow the tenant to lease the land or ground and own the improvements on it. The tenant will purchase the infrastructure on the property and when the lease is over the tenant may sell the asset to the next tenant or back to the landowner. The lease will often include language that restricts the tenant from selling the structures at unaffordable prices.

### Community Farm Land Trust



The Community Farm Land Trust, based out of Olympia Washington, was created to keep farmland affordable for the next generation of farmers. Their farmland preservation program is still small, owning just 3 farms totaling 90 acres, but they are actively trying to grow.

In order to keep the land affordable, the Trust commits to holding the farm in perpetuity and leasing it

to farmers under the terms of a 99-year, renewable, inheritable lease. The buildings are normally purchased by the farmers and this gives the new farmer the ability to build equity in the buildings. All future purchasers of the farm buildings must also sign a land lease and continue to farm the land.

They are concerned with economic justice issues and keeping the land affordable in perpetuity so they purchase farmland, lease it out with 99-year leases, maintain ownership of the land in perpetuity.

The lease includes requirements for conservation practices such as no monocropping, no confined cattle, rotation of crops, and most of the land has to be used for food production to be consumed in the immediate region. They do also require organic certification.

The community farmland trust model does not seek to generate much revenue, just enough to cover the cost of taxes and management. The organization does however feel that the model is attracting more supporters in the community and contributing to the local economy.

### Sliding Scale Leases

Sliding scale leases start low and then gradually increase. This allows the farmer to keep their costs low and then pay more once the farming operation is more stable. The sliding scale rate should be clearly defined at the outset.

#### Vermont Land Trust

The Vermont Land Trust normally does not hold farmland long term but when it realized that a 230-acre donated farm could help solve an important problem for the refugee population in the community, they got creative. Burlington, VT and nearby Winooski happen to be refugee resettlement communities and it came to the attention of a volunteer at the Associations of Africans Living in Vermont (AALV) that many of the refugees in the community had a strong preference for goat meat which was difficult to find locally. It was common to drive all over New England to find frozen goat meat, which was shipped from Australia or New Zealand. They also knew that many of the refugees were formerly farmers and or herders before coming to America. This is where the Pine Island Farm came in. The Vermont Land Trust partnered with the AALV and offered them a no cost lease for 5 years to start a project in which the refugee farmers could use their skills and start a goat farm for the community.



The property has 80 acres of grazing land and 8 acres of higher productivity land for vegetable production. The Land Trust set aside the remaining acres as protected areas that will not be used for agriculture. They now have two refugee farmers raising 250 goats and 7 acres of garden plots, which are farmed by 60 families. The farm is now it's own non-profit organization and they are working on having it become a cooperatively managed membership farm so that it will be financially independent and sustainable long-term.

## Farmland Acceptance Criteria

For farmland, management is more involved so individuals experienced with farming should be involved in the decision to accept any properties. Some of the things that organizations look for when deciding to own farmland are:

<b>Size</b>	A common minimum acreage is 20 acres
<b>Location</b>	It is preferable that the property be located in a farming community. Not only so the tenant has access to farming equipment but also because a more residential community could have issues with active farming in their community
<b>Soil Quality</b>	It is important to have a soil type that matches the production needs
<b>Irrigation</b>	One organization only accepted farms that were non-irrigated, which requires less infrastructure repairs and water rights
<b>Farm Structures</b>	The availability of farm structures, especially farm houses, can be very important for finding tenants
<b>Conservation Practices</b>	Each organization differed in the level of conservation practices they required, based on their mission and the level of returns they require.
<b>Water Rights</b>	Needs to have active water rights that are able to cover the crop needs
<b>Natural Features</b>	If there are many wetlands or wooded areas, this will reduce the number of workable areas

### Land Acceptance Criteria: PCC Farmland Trust

PCC Farmland trust operates in an area that is especially expensive when it comes to farmland. According to Melissa Campbell, the Director of Farmland Conservation, when looking for farm to conserve they need to ensure that the farm is commercially viable. For the most part, they only conserve land over 20-acres, with certified water rights, prime soils, and increasingly they are conserving land that is a priority for the community member and neighboring farmers who would be willing to take over the lease. The Trust encourages farmers to practice organic farming but it isn't a strict requirement for them.

### Land Acceptance Criteria: Whitman Farms

Whitman Farms requires that the properties be wheat farms over 20-acres but would not be opposed to something smaller if it was in a good location. They only accept non-irrigated farms because water rights and irrigation infrastructure can be difficult to deal with. They will also only accept properties within a certain distance from the college.

## Conclusion

In the coming decades there is going to be enormous opportunity for the charitable organizations to take advantage of the transfer of land that will occur as landowner's age. These donations of land could prove to be instrumental in slowing the loss of working lands, supporting local economies, and generating revenue. By examining existing programs, the organizations can determine what policies they should consider in starting their own programs.

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