

Incentives to Encourage the Protection of Farm Land, Farmers, and the Agricultural Industry in Pierce County

Prepared by Futurewise and distributed by the Agriculture Community of Interest (AgCOI). The AgCOI is a part of the Puyallup Watershed Initiative (PWI), a 10-year effort in the southern portion of Puget Sound. It is focused on improving social and environmental conditions in the watershed while bringing community organizations, agencies, businesses and funders together for our common good.

The Agriculture Community of Interest AgCOI is a community based collaboration actively focused on supporting an economically viable and environmentally-sustainable agricultural community in the Puyallup Watershed and greater Pierce County. The Ag COI envisions a future in which healthy, safe, secure, and sustainable food production is inextricably linked to the economy and to the quality of life of the local community.

The COI has roots in the Pierce County Agricultural Roundtable, with some new participants and a goal to grow and broaden. Both the Roundtable and the COI will continue to move forward together to address issues facing agriculture. There is consistency in the goals and approach of the Roundtable and COI, and the geographic scope overlaps. The COI will continue to share many participants with the Roundtable, but with a goal to expand membership. The Roundtable will continue to focus on agriculture issues in Pierce County as a whole, while the COI will focus on the Puyallup Watershed.

Contents

Incentives to Encourage the Protection of Farm Land, Farmers, and the Agricultural Industry in Pierce County	1
Introduction	3
Methodology	3
How can Incentives Work Best?	4
Loans, Credit, and Financing for New Farmers	5
Beginning Farmer and Rancher Loan Programs	5
USDA and Farm Credit System loans	8
Other Sources of Credit and Capital	8
Washington FarmLink	9
Easements, Acquisitions, and Development Rights Transfers to Protect Farmland	10
USDA NRCS Agricultural Conservation Easement Program (ACEP)	11
Washington Wildlife and Recreation Program (WWRP) Farmland Preservation Grants	14
Pierce County Conservation Futures Funding Program	16
One Percent Real Estate Excise Tax (REET) for Conservation Areas	18
Use General Taxing Authority and Bonds to Purchase Agricultural Development Rights	19
Transfer of Development Rights Programs (TDR)	20
Federal Income Tax Deductions for the Donation of Land or Conservation Easements	24
Land Trusts	24
Habitat Restoration & Conservation Incentive Programs	25
USDA NRCS Conservation Reserve Enhancement Program (CREP)	25
USDA NRCS Conservation Stewardship Program (CSP)	27
USDA NRCS Environmental Quality Incentives Program (EQIP)	28
Marketing Programs	30
Puget Sound Fresh, Puget Sound Grown, and other Branding Programs	30
Marketing Programs	31
Farmers Markets	32
Technical Assistance	33
Regulatory Assistance	34
Right-to-Farm Laws	35

Current use taxation program.....	36
Informal equipment sharing or an equipment coop	37
Shared farm labor recruitment or a shared farm labor pool	38
Ecosystem Services Payments or Payments for Services from Environmental Markets	39
Agricultural Water District or Irrigation District	40
Zoning Incentives	41
Appendix A: Interviews with Conservation Districts on Existing and Potential Incentives	43
Pierce Conservation District: Renee Skaggs and Sarah Wilcox	43
Snohomish Conservation District: Cindy Dittbrenner and Bobbi Lindemulder	44
King Conservation District: Josh Monaghan	45
Appendix B: Allowed Uses in Agricultural Resource Lands (ALR) and Rural Farm (RF) Zones.....	46

Introduction

There is significance interest in exploring how to maintain and enhance agriculture and the agricultural industry in Pierce County. This paper is part of a coordinated work plan being led by the Pierce County Agricultural Roundtable. This paper inventories the existing agricultural incentive programs currently being used and that could be used in Pierce County, Washington. The paper asks four questions for each incentive:

- What is this incentive?
- Where is it used?
- How could this incentive be used or be used more effectively in Pierce County?
- Where can you find more information?

This paper is coordinated with the American Farmland Trust’s *Assessment of Farms and Farmland Protection Programs in Puget Sound Counties* which also discusses some incentives. Those that directly affect this paper are referenced below.

This paper was prepared by Futurewise. This paper does not necessarily reflect the opinion of the Pierce County Agriculture Round Table or its funders. For more information, please contact Tim Trohimovich, Director of Planning & Law, Futurewise 206-343-0681 Ext. 118 or tim@futurewise.org.

Methodology

In preparing this report, Futurewise staff reviewed the literature on incentives, particularly incentives related to agriculture. We contacted local experts such as the American Farmland Trust, organizations that have experience with the various incentives programs, and local conservation districts. Robin Fay of the American Farmland Trust conducted the interviews with the conservation districts which were very helpful.

How can Incentives Work Best?

An incentive is something, such as recognition or a financial benefit, which encourages an action. This paper considers incentives broadly and includes many different types of incentives from cash payments through actions that can expand markets for agricultural products, such as farmers markets, which can encourage the protection of farmland by making it more economically beneficial to farmers and ranchers.

There is an extensive scientific literature on incentives and their effectiveness. Stephanie Stern's *Encouraging Conservation on Private Lands: A Behavioral Analysis of Financial Incentives* summarizes this research.¹ While this article focuses on environmental conservation, many of the findings are applicable to farmland conservation too. The most applicable findings are:

- ***Financial incentives do work when structured correctly.*** Regulating to conserve or enhance conservation values has limits. Efforts to change attitudes toward conservation do not necessarily change behavior. Financial incentives have the opportunity to change people's behavior more readily than changing their attitudes toward conservation. But incentives must be carefully crafted to overcome their inherent limits. They also cannot take the place of regulations and often a combination of regulations and incentives is the most effective approach.
- ***There are distinct audiences.*** Understanding the landowners' attitudes is critical for designing incentives and marketing them. For farmers and ranchers the sociological research suggests that they will react more favorably to incentives that help maintain the health and productivity of working lands.²
- ***Need to consider the actual motivators.*** To be most effective incentives must be designed to account for human behavior, and use measures that actually motivate people over the long term.
- ***Payments should continue over time.*** Some financial incentives focus on a single payment, often up-front, for a defined period. Over time the effect of the incentive decreases and the chance that the desired behavior stops or is reduced. To address this tendency, incentives should be designed to reinforce the desired action by periodic payments over time. Periodic payments also help because new purchasers have little commitment to the behavior without additional incentive payments.

¹ Stephanie Stern, *Encouraging Conservation on Private Lands: A Behavioral Analysis of Financial Incentives*, 48 ARIZONA LAW REVIEW 541 (2006). Accessed on Feb. 6, 2014 at: <http://www.arizonalawreview.org/pdf/48-3/48arizlrev541.pdf>

² *Id.* at p. 546.

- ***Need to ensure that incentive doesn't crowd-out voluntary actions.*** One concern with financial incentives results from the fact that some desired behavior is voluntary. If financial incentives pay for that behavior, it may tend to crowd out the voluntary impulse. If a voluntary behavior becomes a paid behavior, then when the payment stops there is a likelihood that the voluntary behavior will fail to re-establish. However, the crowd-out effect is small for many audiences.
- ***Don't go too big.*** Incentives should not be too large, or they become psychologically perceived as the sole motivator and the personal motivator is lost. The same thing happens when the incentive imposes few stewardship requirements – personal motivators are lost. To address this, payments should be proportional to behavioral costs and performance; or alternatively, competitive bidding can be used to arrive at the correct payment amount.
- ***A positive approach should predominate for incentives.*** The voluntary impulse can be crowded out if the program is based on a negative or mistrustful perspective – failure reduces one's voluntary impulse. Incentives should be grounded in positive performance feedback and voluntary choice that is reinforced by the program's administrative style and feedback.
- ***Social marketing should be included in any incentive program.*** Lastly, ensuring high levels of participation in conservation programs requires effective “social marketing” of incentives. “Social marketing” uses marketing techniques, such as those used to market commercial products like as packaged foods, to influence peoples' behaviors that benefit individuals and communities for the greater good of society. Social marketing can aid incentive programs by generate a large pool of applicants for the program, allowing the program administrators to select the best use of the incentive to produce the best outcomes. Better marketing can even provide better outcomes than offering bigger incentives. An example is to provide the opportunity to associate with a representative that is held in high esteem by the target audience. The chance to serve on advisory boards could serve this function.

Loans, Credit, and Financing for New Farmers

Beginning Farmer and Rancher Loan Programs

What is this incentive?

Farming is land intensive and land costs money, although renting and leasing land is common in the industry. Farming also requires machinery and for some agricultural products, buildings.

There has also been a long-standing concern that as farmers age, there will be a need to transition to the next generation of farmers. In Pierce County in 2012, the average age of the principal farm operator was 59.8 years, up from 55.8 years in 2002.³ The average age

³ United States Department of Agriculture National Agricultural Statistics Service, *2012 Census of Agriculture, Washington State and County Data Volume 1 • Geographic Area Series • Part 47* Chapter 2. County Data Table 45. Selected Operation and Operator Characteristics: 2012 and 2007 p. 427 (May 2014)

of Pierce County principal farm operator is a year older than the Washington State average age of the principal operator that was 58.8 in 2012 up from 55.4 in 2002.⁴

There are several programs to help transition to the next generation of farmers and ranchers. The Washington State Housing Finance Commission has a “Beginning Farmer/Rancher Program.” The program provides loans to individuals and families that have not previously owned a farm or ranch or have owned a farm or ranch smaller than 30 percent of the county’s median farm size.⁵ Loans are currently available up to a maximum amount of \$501,000 (including up to \$250,000 for depreciable farm property and up to \$62,500 for equipment and personal property). They can also be combined with other loans, grants, and sources of funds for larger projects. The borrower must be at least 18 years old, a Washington State resident, and must have sufficient education, training, and experience in the type of farming operation for which the loan is requested. The applicant must also work on the farm or ranch, although they can also be employed outside the farm or ranch.

The United States Department of Agriculture Farm Service Agency “Farm Loan Programs” target part of the programs to beginning farmers and ranchers. They have similar qualification requirements to Washington State Housing Finance Commission.

Northwest Farm Credit Services also has their “AgVision®” program which provides land acquisition and operating loans to young and beginning farmers and ranchers. The program has specific underwriting requirements.

accessed on Feb. 9, 2014 at:

http://www.agcensus.usda.gov/Publications/2012/Full_Report/Volume_1,_Chapter_2_County_Level/Washington/; United States Department of Agriculture, National Agricultural Statistics Service, *2007 Census of Agriculture, Washington State and County Data Volume 1 Geographic Area Series • Part 47* Chapter 2: County Level Data, Table 46. Selected Operation and Operator Characteristics: 2007 and 2002 p. 442 (Feb. 2009). Accessed on Feb. 8, 2014 at:

http://www.agcensus.usda.gov/Publications/2007/Full_Report/Volume_1,_Chapter_2_County_Level/Washington/

⁴ *Id.* at p. 429. United States Department of Agriculture National Agricultural Statistics Service, *2012 Census of Agriculture, Washington State and County Data Volume 1 • Geographic Area Series • Part 47* Chapter 2. County Data Table 45. Selected Operation and Operator Characteristics: 2012 and 2007 p. 424 (May 2014); United States Department of Agriculture, National Agricultural Statistics Service, *2007 Census of Agriculture, Washington State and County Data Volume 1 Geographic Area Series • Part 47* Chapter 2: County Level Data, Table 46. Selected Operation and Operator Characteristics: 2007 and 2002 p. 429 (Feb. 2009).

⁵ Washington State Housing Finance Commission New Farmers/Ranchers loan program. Accessed on Dec. 11, 2013 at: <http://www.wshfc.org/FarmRanch/index.htm>

Where is it used?

Statewide including Pierce County. For example, in 2012, the Washington State Housing Finance Commission issued a \$150,000 bond through the Beginning Farmer and Rancher Program to help finance 31 acres of Lewis County farmland, a barn, and a greenhouse for a vegetable farm. The project was also financed by a USDA Farm Service Agency loan of \$135,000 and the buyers contributed funds to help pay for the purchase.⁶

How could this incentive be used more effectively in Pierce County?

These programs would benefit from more marketing so more beginning farmers and ranchers know about them. It would also be helpful to educate realtors® about these programs. Realtors® who commonly handle agricultural land transactions will know about these programs, but realtors who do not frequently handle agricultural land transactions may not. It is likely that many realtors® in Pierce County do not know about the programs.

Where can you get more information on these programs?

Washington State Housing Finance Commission's Beginning Farmer/Rancher Program accessed on Dec. 11, 2013 at: <http://www.wshfc.org/FarmRanch/index.htm> This website also has many valuable links for beginning farmers and ranchers.

United States Department of Agriculture Farm Service Agency Farm Loan Programs Beginning Farmers and Ranchers Loans webpage accessed on Feb. 19, 2015 at: <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=bfl>

Washington State Housing Finance Commission has also published an excellent report summarizing funding opportunities and other resources for beginning and small-scale farmers and ranchers entitled *Cultivate the Soil: Resources for Beginning and Small-Scale Farmers and Ranchers in Washington State*. It is available at: <http://www.wshfc.org/FarmRanch/CULTIVATETHESOIL.pdf>

Northwest Farm Credit Services "AgVision®" program webpage accessed on Dec. 11, 2013 at: <https://www.northwestfcs.com/en/Products-and-Services/Young-Beginning>

The Beginning Farmers webpage also has an extensive list of financial resources accessed on Dec. 11, 2013 at: <http://www.beginningfarmers.org/funding-resources/#4>

⁶ Washington State Housing Finance Commission media release *Tax-Exempt Financing For 31 Acres In Chehalis: Couple to Own Newaukum Valley Vegetable Farm* (May 24, 2012). Accessed at: <http://www.wshfc.org/admin/releases/2012.05.24HyattHenderson.pdf>

USDA and Farm Credit System loans

What is it?

The United States Department of Agriculture (USDA) Farm Service Agency and the “Farm Credit System” provide a comprehensive suite of loans and other financial services for land acquisition, land improvement, equipment, and operating capital for farmers and ranchers. These loans are available under terms and conditions customized to the needs of farmers and ranchers. A full summary of these programs is beyond the scope of this paper, but the main point is that this system exists to provide for the financial needs of farmers and ranchers. In addition, farmers and ranchers may access credit and operating funds through banks and credit unions.

Where is it used?

Nationwide, including Pierce County.

How could this incentive be used more effectively in Pierce County?

These programs would benefit from more marketing so more farmers and ranchers know about them. It would also be helpful to educate realtors® about these programs. Realtors® who commonly handle agricultural land transactions will know about these programs, but realtors who do not frequently handle agricultural land transactions may not. It is likely that many realtors® in Pierce County do not know about the programs.

Where can you get more information on these programs?

The United States Department of Agriculture (USDA) Farm Service Agency Farm Loan Programs webpage accessed on Feb. 19, 2015 at:

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=landing>

Northwest Farm Credit Services, a Farm Credit cooperative that serves the northwest, accessed on Dec. 11, 2013 at: <https://www.northwestfcs.com/>

Other Sources of Credit and Capital

What is it?

In recent years new sources of capital and credit have become available to certain agricultural operations. Whole Foods Market has a Local Producer Loan Program that provides lower interest loans to small-scale local farmers and artisanal food producers that sell to Whole Foods Markets. The loans fund the expansion of farming, ranching, and food production operations.

Slow Money Northwest and the North Coast Credit Union work together to make small loans to new farmers. This is referred to as the “Farmer Reserve Fund.”⁷ Slow Money Northwest and the Cascade Harvest Coalition are also partnering on “Seeds of Success” in which selected new farmers and ranchers contribute to an individual development account (IDA) where the savings are matched and invested in agricultural land purchases and agricultural operations. The farmers and ranchers also receive business development training. This program is designed “to help grow the next generation of farmers.”⁸ Slow Money Northwest has other programs to connect investors with farmers and ranchers that need capital.

Where are they used?

Nationwide, including Pierce County.

How could these incentives be used more effectively in Pierce County?

Currently, these fund sources have limited audiences. However, including them in lists of resources and on websites for farmers and ranchers would be helpful.

Where can you get more information on these programs?

Whole Foods Market “Local Producer Loan Program” accessed on Dec. 11, 2013 at: <http://www.wholefoodsmarket.com/mission-values/caring-communities/local-producer-loan-program>

Slow Money Northwest accessed on Dec. 11, 2013 at: <http://www.slowmoneynw.org/>

Washington FarmLink

What is it?

Washington FarmLink helps match people who would like to become farmers with farmers or farmland owners that are interested in selling, leasing, or otherwise transitioning their operation or land. Washington FarmLink also provides training and one-on-one assistance to those who would like to become farmers or transition their farmland.

The program goal is to help develop the next generation of farmers and sustainable farm businesses. The program has helped keep over 1,000 acres in agricultural production.⁹ Washington FarmLink is a program of the Cascade Harvest Coalition, a Washington

⁷ Slow Money Northwest Farmer Reserve Fund webpage accessed on Dec. 11, 2013 at: <http://www.slowmoneynw.org/for-entrepreneurs/farmer-reserve-fund>

⁸ Slow Money Northwest Seeds of Success Savings Incentive Program webpage accessed on Dec. 11, 2013 at: <http://www.slowmoneynw.org/for-entrepreneurs/seeds-of-success>

⁹ Personal Communication with Mary Embleton, Executive Director, Cascade Harvest Coalition (Dec. 11, 2013).

State non-profit organization that works to support farmers and build connections between consumers and producers of agricultural products.

Where is it used?

Statewide including Pierce County.

How could this incentive be used more effectively in Pierce County?

Pierce County is a significant funder of FarmLink which is very helpful in making the program possible. Other counties or entities could provide funding to the Cascade Harvest Coalition to help them market the program to farmers that are nearing retirement and that may be interested in selling or otherwise transitioning their land or operations and to people who would like to become farmers. This could help link the two groups together.

Where can you get more information on this program?

See the Cascade Harvest Coalition's Washington FarmLink webpage, accessed on Dec. 10, 2013 at: <http://farmlink.cascadeharvest.org> (this is the new page)

Easements, Acquisitions, and Development Rights Transfers to Protect Farmland

Land owners' interests in land can be thought of as a bundle of sticks, with each stick representing a right to use land. Some property owners own all of the sticks, or rights, to their property. Some property owners do not. For example some property owners do not own the mineral rights to their land.

The right to develop land, that is subdivide it or build residential or commercial buildings on it, can be thought as one of the sticks, that is rights to land, that can be transferred separately from the other rights such as the right to use the land. Washington law recognizes development rights as a right in land that can be acquired separately from the right to use and own the land.¹⁰

That is the theory behind purchase and transfer of development rights programs. In a purchase of development rights program, a government agency or land trust, a type of non-profit corporation, purchases development rights. In a transfer of development rights program an entity, typically a developer, purchases development rights from a parcel of land, referred to as the sending site, that can be transferred to another piece of land, referred to as the receiving site, to allow more development on the receiving site than would otherwise be allowed. Both programs typical record a conservation easement that limits the use of the property to natural resource uses, such as agricultural uses in the case of an agricultural purchase or transfer of development rights program. A conservation

¹⁰ *Louthan v. King County*, 94 Wn.2d 422, 428 – 29, 617 P.2d 977, 981 (1980).

easement is a servitude or easement, a type of contract, which applies to the land, is binding on future purchasers of the land, and regulates the future use of the land. The programs in this section acquire easements or transfer development rights.

USDA NRCS Agricultural Conservation Easement Program (ACEP)

What is it?

The United States Department of Agriculture's (USDA) Natural Resource Conservation Service (NRCS) administers the federal "Agricultural Conservation Easement Program" (ACEP). ACEP is a new program that consolidated three former programs – the "Wetlands Reserve Program," "Grassland Reserve Program," and the "Farm and Ranch Land Protection Program" (FRPP).

Agricultural Land Easements

The ACEP is a competitive grant program that awards funding to state agencies, tribes, local governments, and eligible nongovernmental organizations, such as land trusts, to acquire development rights on farm or ranch land. The ACEP funds up to half of the fair market value of the development rights acquired. Where the NRCS determines that grasslands of special environmental significance will be protected, the NRCS may contribute up to 75 percent of the fair market value of the agricultural land easement. The rest of the funds, often referred to as a match, come from state, local, or, for some local governments or nongovernmental organizations, private sources. For the properties from which the development rights are acquired, conservation easements meeting certain standards must be recorded to permanently protect the land. The conservation easement must meet certain standards for the use of the land must be met.

The money available for Washington State for the programs that now make up the ACEP varied considerably from year to year. For example, the amount of FRPP money available for Washington State was \$6,302,000 in 2010, \$1,767,000 in 2011, and \$4,043,000 in 2012.¹¹ As of the end of federal fiscal year 2012, the FRPP had funded the acquisition of 136 conservation easements in Washington State protecting 13,302.9 acres of farm and ranch land.¹² In 2014, \$1,995,339 was allocated to Washington State for all ACEP programs, a considerable reduction in funding compared to the three earlier programs.¹³

¹¹ U.S. Department of Agriculture, Financial Management Modernization Initiative (FMMI) April 2013 Foundation Financial Information System (FFIS) December 2011 National Easement Staging Tool (NEST) January 2012 and October 2012 Natural Resources Conservation Service, Washington, DC. Dec. 11, 2013. Accessed on Dec. 11, 2013 at:

http://www.nrcs.usda.gov/Internet/NRCS_RCA/reports/fb08_cp_frpp.html#easeagree

¹² *Id.*

¹³ NRCS, FY 2014 ACEP FA and TA Allocations accessed on Feb. 19, 2015 at:

<http://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/easements/acep/>

The ACEP is a competitive grant program and putting together the application, documentation, and match can be time consuming and expensive. But the grants can be quite substantial.

For example, on July 1, 2013, the PCC Farmland trust acquired a conservation easement on 94.75 acres south of Orting from a residential developer who had already gotten subdivision approval to develop the farmland.¹⁴ This is the Sturgeon Farm. The farmland also included irrigation water rights.¹⁵ Half of the \$1,510,000 conservation easement cost was funded by a \$755,000 FRPP grant.¹⁶ The 50 percent match came from a Pierce County Conservation Futures grant of \$240,000 and \$515,000 in charitable donations to the PCC Farmland Trust.¹⁷

Simultaneously, an organic, sustainable farm business bought the land for \$600,000, its value as agricultural land without the development rights. This was necessary since the landowner, a developer, was not interesting in retaining ownership of the farmland without the ability to develop the land. This is not unusual for conservation acquisitions from land owners who are not farmers or ranchers.¹⁸ The land purchase also illustrates one of the benefits of purchase and transfer of development rights programs, by removing the “development rights” from the land, it makes the land affordable to farmers and ranchers who can operate at a profit with the reduced capital costs of the land.

The conservation easement for this project also limits the size of the one home allowed on this property to ensure that the property remains as a farm and is not converted to an estate with a very large home.¹⁹ This made the conservation easement more valuable and the farmland more affordable for the organic farm company.

In addition to the match for the FRPP grant, PCC Farmland Trust had direct costs of nearly \$50,000 for a land appraisal, legal services, a water rights appraisal, a title search, and surveying.²⁰ PCC Farmland Trust also had indirect staff costs to prepare the grant and administer the work.²¹ After the Sturgeon Farm deal was completed, PCC Farmland Trust was also awarded a \$480,000 grant from the Washington State Wildlife and Recreation Program (WWRP) Farmland Preservation Grant program to pay some of the

¹⁴ Washington Wildlife and Recreation Coalition *Sturgeon Farm* webpage accessed on Dec. 12, 2013 at: http://www.wildliferecreation.org/our-campaigns/wwrp-projects/projects/Sturgeon_Farm

¹⁵ *Id.*

¹⁶ Personal Communication with Rebecca Sadinsky, Executive Director of the PCC Farmland Trust (Dec. 11, 2013).

¹⁷ Personal Communication with Rebecca Sadinsky, Executive Director of the PCC Farmland Trust (Dec. 12, 2013).

¹⁸ Personal Communication with Rebecca Sadinsky, Executive Director of the PCC Farmland Trust (Dec. 13, 2013).

¹⁹ *Id.*

²⁰ Personal Communication with Rebecca Sadinsky, Executive Director of the PCC Farmland Trust (Dec. 12, 2013).

²¹ *Id.*

direct costs and to help replenish the PCC Farmland Trust's capital fund that will be used for future farm land conservation projects.²²

Putting together transactions like this with multiple funding sources and different time lines "is an incredible juggling act. The timeline of the seller, in this case a residential developer who had moved to Florida, sets the main timeline. The public sector, especially NRCS and the WWRP Farmland Protection Grant Program, have their own immutable timeline. The FRPP prefers that the match be on hand when the application is made. In short, it is pretty complex. By comparison Pierce County Conservation Futures tax program is a model program, adjusting to real on-the-ground complexity. In short, the only way we can figure out how to do this in a way that matches the on-the-ground reality of real estate deals, is to have private money as gap financing, at least."²³ Counties are also able to make it work using Conservation Futures and other tax sources. The Conservation Futures program is discussed below.

Wetland Reserve Easements and Wetland Restoration

The wetland reserve part of the ACEP includes both technical assistance and funding for easements to protect the wetlands. The NRCS provides the technical and financial assistance directly to private landowners and Indian tribes to restore, protect, and enhance wetlands through the purchase of a wetland reserve easement.

The wetland reserve program funds three types of easements:

- Permanent Easements which protect the wetland in perpetuity. The NRCS pays 100 percent of the easement value for the purchase of the easement. In addition, the NRCS pays between 75 to 100 percent of the restoration costs.
- Thirty-year easements which expire after 30 years. Under 30-year easements, the NRCS pays 50 to 75 percent of the easement value for the purchase of the easement. In addition, the NRCS pays between 50 to 75 percent of the restoration costs.
- The program can also fund term easements for the maximum duration allowed under state property law. The NRCS pays 50 to 75 percent of the easement value for the purchase of the term easement. In addition, the NRCS pays between 50 to 75 percent of the restoration costs.
- For wetlands owned by Indian tribes, the NRCS makes available 30-year contracts. The financial terms are the same as for the 30-year easements.

Under this part of the program, the NRCS pays all costs associated with recording the easement in the county auditor's office, including recording fees, charges for abstracts, survey and appraisal fees, and title insurance.

Where is it used?

²² *Id.*

²³ *Id.*

Throughout the nation and Washington State including Pierce County.

How could this incentive be used more effectively in Pierce County?

To effectively use this program, a county, either alone or in partnership with a land trust or other non-governmental organization, must have the 50 percent match. The Washington Wildlife and Recreation Program (WWRP) Farmland Preservation Grants, discussed below, can be used for the match too. The properties proposed to be acquired must also meet the current program priorities. So knowing the current program requirements and priorities is important too. It is also important to have the funding to develop and document a good proposal. Pierce County in partnership with land trusts seems to be effectively using this program.

The 2014 Farm Bill, which established this program, significantly reduced the overall funding level for the three underlying programs compared to the 2008 Farm Bill.²⁴ So the ACEP will have less funding than its predecessor programs and applications will be more competitive.

The ACEP, because it provides only a one-time payment, can have the problem of the land owner losing an incentive to follow the terms of the easement or future land owners not wanting to follow the easement. So the easement holders need to work with the land owners over time so they understand the easement terms. This tends to be less of a problem with the ACEP program than other types of conservation easements because the landowners are farmers and ranchers and generally want to continue to use the land for agricultural production which is what the easement allows.

Another problem with easement protected properties is that they are attractive for estates or second homes. Some conservation easements limit house sizes, as the Sturgeon Farm conservation easement did, or limit the people who can live on the properties to those who are farming the property.

Where can you get more information on this program?

USDA Natural Resource Conservation Service Washington “Agricultural Conservation Easement Program” webpage accessed on Feb. 19, 2015 at:

<http://www.nrcs.usda.gov/wps/portal/nrcs/main/wa/programs/easements/acep/>

Washington Wildlife and Recreation Program (WWRP) Farmland Preservation Grants

What is it?

²⁴ The National Sustainable Agriculture Coalition, NSAC’s Blog *2014 Farm Bill Drill Down: Conservation – Easements, CRP, and Energy* (Feb. 10, 2014) accessed on Feb. 19, 2015 at: <http://sustainableagriculture.net/blog/2014-farm-bill-acep-crp-energy/>

Washington Wildlife and Recreation Program (WWRP) “Farmland Preservation Grants” fund the acquisition of conservation easements or leases that run for at least 25 years on farmland threatened by development. The program is funded at about \$6 million a year.²⁵ If the total appropriation to the WWRP programs is not over \$40 million a biennium, the agricultural protection proposals are not funded. In 2011, for example, the program was not funded above \$40 million so only a few agricultural conservation easements were funded from savings from the other projects. In addition to conservation easements, the Farmland Preservation Grants can also fund enhancement of the land’s agricultural potential, enhancements that have environmental benefits, and farm plans. The program can also fund appraisals, title reports, and other acquisition costs. There is no dollar limit on conservation easement acquisition applications.

Eligible applicants include cities, counties, the Washington State Conservation Commission, and nonprofits such as nature conservancy organizations and land trusts.²⁶ Except for applications submitted by the Conservation Commission, a 50 percent match is required and federal funds can be used for the match as can local government funds and private donations.

Proposals are submitted to Washington State Recreation and Conservation Office. They are then ranked by the staff and a panel of experts. This recommendation is submitted to the Recreation and Conservation Funding Board which makes a recommendation to the Governor. The Governor proposes a dollar amount for the budget and a ranked list of projects. The legislature then approves a budget amount and a ranked project list. The projects on the approved list are then offered funding. This process takes about 18 months or more.

Farmland Preservation Grants are quite competitive and putting together the application, documentation, and match can be time consuming and expensive. But the grants can be quite substantial.

Where is it used?

Washington State including Pierce County. Two agricultural projects have been funded in Pierce County: the Sturgeon Farm grant of \$480,000, described above on page 12, and the Orting Valley Farms which received a grant of \$633,374.²⁷

How could this incentive be used more effectively in Pierce County?

²⁵ Washington State Recreation and Conservation Office Farmland Preservation Grants webpage accessed on Dec. 12, 2013 at: <http://www.rco.wa.gov/grants/farmland.shtml> This is the state agency that administers this grant program.

²⁶ *Id.*

²⁷ Washington Wildlife and Recreation Coalition Farmland Preservation webpage accessed on Dec. 12, 2013: <http://www.wildliferecreation.org/farmland> Washington Wildlife and Recreation Coalition is a non-profit corporation that works with other groups to obtain funding for the Washington Wildlife and Recreation Program (WWRP) grants including the Farmland Preservation Grants.

Pierce County, through its partnerships, is using this program effectively. The county working with partners has obtained over \$1.11 million, much more than most counties.²⁸ King County, for example, has only received \$70,911.

Where can you get more information on this program?

Washington State Recreation and Conservation Office Farmland Preservation Grants webpage accessed on Feb. 19, 2015 at: <http://www.rco.wa.gov/grants/farmland.shtml>

Washington Wildlife and Recreation Coalition Farmland Preservation webpage accessed on Feb. 19, 2015: <http://www.wildliferecreation.org/farmland> This webpage lists all of the funded projects and has details on them and also has a map of some of the funded projects.

Pierce County Conservation Futures Funding Program

What is it?

As the summary of the Sturgeon Farm project under the FRPP description showed, acquiring conservation easements on farmland is eligible for funding under Pierce County's "Conservation Futures" program. The program can also acquire the land outright, which is referred to as a fee simple ownership. Pierce County Conservation Futures also funds some of the direct costs of acquiring property.

RCW 84.34.230 authorizes counties to levy a Conservation Futures property tax of up to 6.25 cents per thousand dollars of assessed value on the real property in the entire county including the incorporated cities. Pierce County currently levies the full amount.²⁹ The county budget estimates that the tax will generate \$4,025,860 in 2014, up from \$3,962,780 in 2013.³⁰ The 2014 budget appropriates \$2,941,980 for Conservation Futures land acquisitions.³¹

Starting in 2013, the Conservation Futures acquisition projects will be chosen every other year, except for those funded by the opportunity fund.³² The program allows multi-year commitments of funding, which would be helpful for large projects.

A sponsor, who can be a city, county department, or non-profit organization, submits an application to the Pierce County Parks and Recreation Services Department in odd numbered years. The Technical Advisory Committee reviews the proposals for completeness and to determine if they meet the minimum criteria for the program. The

²⁸ Washington Wildlife and Recreation Coalition Farmland Preservation webpage.

²⁹ Pierce County Parks and Recreation Conservation Futures Program webpage accessed on Dec. 12, 2013: <http://www.co.pierce.wa.us/index.aspx?nid=1477>

³⁰ Pierce County 2014 Preliminary Department Budgets Parks and Recreation p. 257 accessed on Dec. 12, 2013 at: <http://www.co.pierce.wa.us/Archive.aspx?AMID=38&Type=Recent>

³¹ *Id.* at p. 255.

³² Pierce County Code (PCC) 2.97.040.

Citizens' Advisory Board holds at least one public hearing on the proposals that meet the minimum criteria and reviews and scores those proposals. The Pierce County Council holds at least one public hearing and then reviews the recommended scores and makes the final decision on the proposals to be funded.³³

Agricultural land that meets the county's criteria of prime farmland soils with a grass/legume production yield of 3.5 tons per acre or greater are eligible for acquisition under the Conservation Futures program as are open space, fish and wildlife habitats, wetlands, waterways, recreational lands, and other lands meeting the program requirements.³⁴

For all properties a ten percent match is required which can either be a cash contribution or a donation by the seller that reduces the selling price.³⁵ The scoring criteria are in PCC Table 2.97.110-1. The criteria consider the value of the resources to be protected, whether the acquisition is supported by other environmental goals, whether the proposed use of the property is compatible with the Conservation Futures priorities, its size, whether it is in an urban growth area, whether the property connects with other preserved open space properties, whether property is threatened by development, and whether there are public and private matching funds that exceed 10 percent of the acquisition price. Designated Agricultural Resource Lands, Pierce County's land use classification designation for agricultural lands of long-term commercial significance, receive five points for that designation, which is significant given that the maximum number of points is 100.

In addition to the every other year allocation, the County Council can include a Conservation Futures Opportunity Fund of up to \$250,000 to fund time sensitive acquisition opportunities that come up between the regular allocations. To be funded by the opportunity fund the proposal must meet the minimum criteria summarized above, an eligible property "shall be under sufficient threat of immediate development or financial distress which would preclude it from being considered in the next regular application and award cycle ... or additional secured matching funds provided by a third party for use in purchasing the property are under immediate threat of expiring prior to the next regular application and award cycle ..."³⁶

Funded proposals are required to have a covenant, a type of contract, which applies to the land, is perpetual, and protects the agricultural lands.³⁷ This is similar to the conservation easements discussed above.

Where is it used?

Pierce County including its incorporated cities.

³³ PCC 2.97.040.

³⁴ PCC 2.97.020 "Agricultural Land;" PCC 2.97.030.

³⁵ PCC 2.97.060(A)(11).

³⁶ Pierce County Code (PCC) 2.97.110(C)(2).

³⁷ PCC 2.97.080.

How could this incentive be used more effectively in Pierce County?

The Executive Director of the PCC Farmland Trust reports that the land trust has found the program to be flexible and easy to use.³⁸

It is unclear whether the switch to the every other year funding rounds will affect its use for agricultural lands conservation. The opportunity fund should help address this potential concern.

As part of this project the Pierce County Agricultural Roundtable is investigating a funding strategy for protecting farmland and farmers in Pierce County. That strategy may identify beneficial changes to the Pierce County Conservation Futures program.

Where can you get more information on this program?

Pierce County Parks and Recreation Conservation Futures Program webpage accessed on Dec. 12, 2013: <http://www.co.pierce.wa.us/index.aspx?nid=1477>

Chapter 2.97 Pierce County Code (PCC) Conservation Futures Fund Allocation and Selection Criteria accessed on Dec. 12, 2013 at:
<http://www.co.pierce.wa.us/DocumentCenter/View/1137>

One Percent Real Estate Excise Tax (REET) for Conservation Areas

What is it?

In 1990, the legislature (in RCW 82.46.070) authorized counties to submit a ballot proposition to the voters for an additional real estate excise tax (REET) on each sale of real property in the county at a rate not to exceed one percent of the sales price. The property buyer, rather than the seller, pays this tax. Proceeds from the tax are used to acquire properties or easements on agricultural lands, open space, habitats, or low-intensity recreational areas. The tax can be used to maintain the acquired lands that are in a public ownership.³⁹

Where is it used?

The tax can be adopted by the voters of any county in Washington State. Although other counties have tried to pass ballot measures authorizing this tax, this additional conservation REET has only been approved by voters in San Juan County. It was extended for an additional twelve years in 2011. The program is managed by the San Juan County Land Bank.

³⁸ Personal Communication with Rebecca Sadinsky, Executive Director of the PCC Farmland Trust (Dec. 12, 2013).

³⁹ Municipal Research and Services Center, Real Estate Excise Tax webpage accessed on Dec. 13, 2013 at: <http://www.mrsc.org/subjects/finance/reetweb.aspx#conservation>

As of December 2010, the San Juan County Land Bank had received a total of \$49 million from the real estate excise tax. These funds were used to acquire a total of 3,180.42 acres of land and conservation easements for 2,078.88 another acres.⁴⁰

How could this incentive be used effectively in Pierce County?

As the San Juan County example shows, the one percent real estate excise tax has the potential to raise substantial amounts of money for conservation. In Washington State fiscal year 2013, Pierce County's estimated taxable real estate sales were \$3,638,739,000 up from \$2,518,212,000 in fiscal year 2012.⁴¹ So a one percent real estate excised tax would have raised \$3.6 million in state fiscal year 2013 and \$2.5 million in 2012 for Pierce County.⁴² More counties should give their voters the opportunity to adopt the tax. Community groups and statewide organizations should research voter priorities and how this tax fits into them to improve voter acceptance of this valuable funding source. However, the real estate industry is typically strongly opposed to REETs.

Where can you get more information on this program?

Municipal Research and Services Center, Real Estate Excise Tax webpage accessed on Dec. 13, 2013 at: <http://www.mrsc.org/subjects/finance/reetweb.aspx#conservation>

Use General Taxing Authority and Bonds to Purchase Agricultural Development Rights

What is it?

Some states and local governments have financed purchase of development rights programs to protect agricultural lands using their general taxing authority. The state or local government adopts a tax to buy the development rights. They then either spend the money as it is collected or they issue bonds, a type of loan, that are then paid back by the tax. By bonding the money is obtained upfront, but interest then has to be paid on the bonds. However, currently tax rates are very low for municipal bonds. Bonding is helpful where there is strong development pressure on farmland and land prices are rising. Where land prices are rising quickly, the increase in land costs may be the same as or even lower than the interest and other costs paid on the bonds.

Where is it used?

In Washington State, King County acquired the development rights to 12,600 acres of high quality farmland in the 1980s at a cost of \$53,848,317. The funding was provided by

⁴⁰ *Land bank committee seeks to renew excise tax: history, pros and cons*, [San Juans and Islands' Sounder](http://www.islandssounder.com/news/131255854.html) (Oct. 6, 2011) accessed on Dec. 13, 2013 at: <http://www.islandssounder.com/news/131255854.html>

⁴¹ Washington State Department of Revenue, Research and Fiscal Analysis Division, *Tax Statistics 2013* Table 10 Real Estate Excise Tax Statistics State and Local Tax Collections by County - Fiscal Year 2013 p. 18 (Nov., 2013). Accessed on Jan 21, 2013 at: http://dor.wa.gov/docs/reports/2013/tax_statistics_2013/table10.pdf

⁴² The Washington State Fiscal Year starts on July 1 and ends on June 30th of the following year.

voter approved bonds funded by a property tax levy applied to all of King County including the cities in the county.⁴³

The protected farmland is located primarily within the Green, Sammamish, and Snoqualmie River Valleys, the Enumclaw Plateau, and Vashon Island. The County focused on purchasing almost all of the development rights in the Sammamish Valley as it was threatened with development on all sides. In the other areas development rights purchases were focused on the farmlands adjacent to cities and urban growth areas.

King County is continuing to purchase development rights on selected agricultural lands through its Farmland Preservation Program. The county now holds conservation easements on approximately 13,200 acres of farmland.⁴⁴

Pierce County has the authority to conduct a similar program.

How could this incentive be used effectively in Pierce County?

Pierce County could consider asking the voters to authorize a property tax, with or without bonds, to acquire agricultural development rights. It could also be coupled with funding for other county needs.

King County has had a problem with some of its protected farmland being used for estates. The agricultural easement used for a program such as this should include provisions to prevent this problem such as requiring that the residents farm the property, limits on house sizes, or other measures.

Transfer of Development Rights Programs (TDR)

What is it?

In a “transfer of development rights program” (TDR) an entity, typically a developer, purchases development rights from a parcel of land, referred to as the sending site, that can be transferred to another piece of land, referred to as the receiving site, to allow more development on the receiving site than would otherwise be allowed. When the development rights on the sending site are sold a conservation easement is recorded on the sending property that limits the use of the property to natural resource uses, such as agricultural uses in the case of an agricultural purchase or transfer of development rights program.

Where is it used?

⁴³ Source: personal communications with Judy Herring, former King County Farmland Preservation Coordinator.

⁴⁴ King County Land and Water Resource Division Farmland Preservation Program webpage accessed on Dec. 13, 2013 at: <http://www.kingcounty.gov/environment/wlr/sections-programs/rural-regional-services-section/agriculture-program/farmland-preservation-program.aspx>

Transfer of development rights programs are becoming more common in Washington State. Pierce County has a relatively new program in Chapter 18G.10 PCC, Transfer and Purchase of Development Rights.⁴⁵ Since the program was adopted, the market for new development has been relatively depressed, so it has not been used very much. Well-designed transfer of development rights programs can be an incentive for developers to use since they allow more development on site than would otherwise be allowed.

Pierce County's farming regulated sending sites include:

1. Lands zoned Agricultural Resource Land (ARL) or Rural Sensitive Resource (RSR).⁴⁶ Lands designated as ARL in the Alderton-McMillin and Mid-County Community Plans are high priority sending sites, they get a relative large number of transferable development rights.⁴⁷
2. Land with rural residential zoning (Rural Separator, Rural 10, Reserve 5, Rural 20, Rural 40, Rural Farm, or Rural Sensitive Resource zoning), that meets the definition in RCW 84.34.020 of open space land, and is used for agricultural operations.⁴⁸

Other non-agricultural lands are also sending areas, such as Forest lands of long-term commercial significance and the habitats of endangered and threatened species.

The amount of transferable rights each sending area is entitled to varies with the location of the property and the zone in which it is located.

1. Agricultural Resource Lands (ARL) in Mid-County or Alderton-McMillin Community Plan areas and within 1,000 feet of an urban growth boundary shall have one transferable development per acre, less one transferable development right per home on the property.
2. ARL sending sites in the Mid-County Community Plan area that were designated urban or Rural Separator prior to the ARL designation shall have the same number of development rights to transfer as was allowed under the previous zones.
3. Other properties designated as Agricultural Resource Land (ARL) located within the Mid-County or Alderton-McMillin Community Planning areas are entitled to one transferable development right per five acres. Each residence on the property reduces the transferable development rights by one.
4. All other sending sites shall have the same number of transferable development rights as the number of homes that can be built on the property under the zone's base

⁴⁵ Accessed on Feb. 19, 2015 at: <http://www.co.pierce.wa.us/DocumentCenter/View/1162>

⁴⁶ PCC 18G.10.050(A)(1).

⁴⁷ PCC 18G.10.090(B).

⁴⁸ PCC 18G.10.050(A)(2).

density, with one transferable development right reduction for each home on the property.

5. All legal lots in a sending area have at least one saleable development right whether the property can be built on or not.⁴⁹

The designated receiving areas are:

1. Receiving sites designated by cities in an agreement with the county.
2. Properties in the unincorporated area that have requested a comprehensive plan amendment that will increase their residential density. This includes urban growth area expansions.
3. Urban projects that require a transfer of development rights, or another type of density bonus, to achieve the “maximum density” or a bonus density.⁵⁰

As of early 2014, 73 development rights have been transferred from farmland into Pierce County’s transfer of development rights bank.⁵¹ For example, PCC Farmland Trust worked with Pierce County to purchase the Reise Farm, in October 2012, and then transferred the development rights into the county bank, with the County holding the conservation easement.⁵² The City of Tacoma adopted transfer of development rights receiving zones in the city that accept development rights transferred from designated Agriculture Resource Land (ARL) in the Puyallup Valley (Alderton-McMillin or Mid County Community Planning Areas) and designated as Forest Land (FL) situated in unincorporated Pierce County.⁵³

The Washington State Department of Commerce’s, Puget Sound Regional Council’s and Forterra NW’s *Regional Transfer of Development Rights in Puget Sound* summarizes regional transfer of development rights programs in King, Kitsap Pierce, and Snohomish counties.⁵⁴

How could this incentive be used more effectively in Pierce County?

⁴⁹ PCC 18G.10.090(B).

⁵⁰ PCC 18G.10.030(A)(2); PCC 18G.10.030(B).

⁵¹ Personal Communication with Diane Marcus-Jones, Senior Planner, Pierce County Department of Planning & Lands Services (2014).

⁵² Personal Communication with Rebecca Sadinsky, Executive Director of the PCC Farmland Trust (Dec. 13, 2013).

⁵³ Tacoma Municipal Code (TMC) 1.37.030A & B accessed on Feb. 9, 2015 at:

<http://cms.cityoftacoma.org/cityclerk/Files/MunicipalCode/Title01-AdministrationAndPersonnel.PDF>

⁵⁴ The Washington State Department of Commerce’s, Puget Sound Regional Council’s and Forterra NW’s *Regional Transfer of Development Rights in Puget Sound* pp. 10 – 15 & pp. 18 – 30 (June 2013) accessed on Feb. 9, 2015 at: <http://www.commerce.wa.gov/Documents/FINALRPT-Regional-Transfer-of-Development-Rights-6-30-13.pdf>.

Like most transferable development rights programs, Peirce County's needs more effective demand in the existing receiving areas and more receiving areas. The TDR programs that have been most successful have downzoned areas and then allowed developers in the receiving areas to buy back the density or have been in areas with very strong demand.⁵⁵ Pierce County's transfer of development rights program has had pretty weak demand for transferable development rights since the program was adopted. Now that the housing market is recovering, it will be interesting to see if the program will be used. If weak demand for the use of transferable development rights continues, the county should considering reducing the allowed density in receiving areas and have the density recouped through transferable development rights.

Another program that may increase demand for transferable development rights is the Landscape Conservation and Local Infrastructure Program. This program, adopted by the State Legislature in 2010, provides cities with funding for infrastructure needed to accommodate or encourage growth if a certain number of transferable development rights are accepted in a designated area.⁵⁶ By providing public facility improvements in these areas, they will be more attractive for development. This program has the potential to increase the demand for transferable development rights in cities in Pierce, King and Snohomish counties.

Where can you get more information on this program?

Chapter 18G.10 PCC, Transfer and Purchase of Development Rights accessed on Dec. 13, 2013 at: <http://www.co.pierce.wa.us/DocumentCenter/View/1162>

State of Washington Department of Commerce Regional Transfer of Development Rights webpage accessed on Dec. 15, 2013:

<http://www.commerce.wa.gov/Services/localgovernment/GrowthManagement/Regional-TDR-Rights-Program/Pages/default.aspx>

American Farmland Trust Farmland Information Center, *Transfer of Development Rights Fact Sheet* (April 2008) accessed on Dec. 16, 2013 at:

http://www.farmlandinfo.org/sites/default/files/TDR_04-2008_1.pdf

⁵⁵ Rick Pruetz, *Beyond Takings and Givings: Saving Natural Areas, Farmland, and Historic Landmarks with Transfer of Development Rights and Density Transfer Charges* p. 211 (strong demand in Montgomery County, Maryland) (Arje Press: Marina Del Rey, CA: 2003). Redmond, Washington downzoned certain parts of its city and allowed developers to buy back some or all of the reduced density or development intensity. Redmond's program has been quite successful. Jeff Churchill, "Redmond's TDR Program Aims To Preserve Rural Sammamish Valley" *About Growth* p. 4 (State of Washington Department of Community, Trade, and Economic Development: Fall 2008) accessed on Feb. 18, 2015 at: <http://www.redmond.gov/common/pages/UserFile.aspx?fileId=5756>

⁵⁶ Chapter 39.108 RCW, Local Infrastructure Project Areas, accessed on Feb. 8, 2015 at: <http://apps.leg.wa.gov/rcw/default.aspx?cite=39.108>

Federal Income Tax Deductions for the Donation of Land or Conservation Easements

What is it?

Section 170(h)(1) of the Internal Revenue Code provides a “federal income tax deduction” for landowners that donate land or conservation easements, including conservation easements to protect agricultural land consistent with a local, state, or federal policy. The dollar amount of a tax deduction is deducted from the taxpayer’s income, reducing the taxable income of the taxpayer. To qualify, the donation of land or a conservation easement must be in perpetuity and be donated to a public charity such as a land trust or government entity with the resources and commitment to steward the property. There are criteria for public benefit and eligibility that must be met. There are limitations on the use of the tax deduction, but the excess deduction can be carried forward into future tax years.

This deduction can be used in conjunction with the purchase of development rights program to reduce the taxes the land owner will have to pay by donating some development rights and giving the land owner a tax deduction to offset the purchase of development rights payment.

Where is it used?

Nationwide including Pierce County.

How could this incentive be used more effectively in Pierce County?

The county and other organizations could publicize good examples of how this deduction has helped to protect farm and ranch land.

Where can you get more information on this program?

The Open Space Protection Collaborative Information webpage on federal income tax reductions accessed on Dec. 16, 2013 at:

http://www.openspaceprotection.org/tax_fed.htm#BENEFIT

Land Trusts

What is it?

Land trusts are non-profits that specialize in the acquisition of lands that require conservation such as agricultural lands and conservation easements. They often have valuable expertise in fund raising, land management, managing conservation easements, and grant programs. Land Trusts now have an accreditation program to insure best

practices in the stewardship of conservation lands.⁵⁷ So they are a valuable partner in conserving agricultural land.

Agricultural lands “conservation easements are only as good as the monitoring that follows.”⁵⁸ Experienced land trusts have the expertise to effectively monitor and enforce conservation easements.

Where is it used?

PCC Farmland Trust, Forterra NW, and the Great Peninsula Conservancy are three land trusts that are active in Pierce County.

How could this incentive be used effectively in Pierce County?

Pierce County seems to be effectively using land trusts.

Where can you get more information on this program?

Land Trust Alliance webpage accessed on Dec. 16, 2013 at:
<http://www.landtrustalliance.org/>

Habitat Restoration & Conservation Incentive Programs

USDA NRCS Conservation Reserve Enhancement Program (CREP)

What is it?

The “Conservation Reserve Enhancement Program” (CREP) funds plantings that enhance habitat and land and water conservation on sensitive lands and then rents the planted land for ten to 15 years.⁵⁹ The land owner receives an annual rental payment based on the local dry land cropland cash rental rate. The land owner can offer their land at that rate or a lower rate to increase the attractiveness of the offer.⁶⁰ The CREP program is voluntary and land owners offer their lands during a sign-up period. The offers are then ranked using an environmental benefits index and the highest ranked offers meeting the

⁵⁷ Land Trust Alliance, Accredited Land Trusts webpage accessed on Dec. 16, 2013 as:
<http://www.landtrustalliance.org/land-trusts/accredited-land-trusts>

⁵⁸ Personal Communication with Rebecca Sadinsky, Executive Director of the PCC Farmland Trust (Dec. 13, 2013).

⁵⁹ United States Department of Agriculture Farm Service Agency, Conservation Programs Conservation Reserve Program webpage accessed on Jan. 12, 2013 at:
<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=copr&topic=crp>

⁶⁰ United States Department of Agriculture Farm Service Agency, *The Conservation Reserve Program 45th Signup August 2013 County by County Summary* p. *3. Accessed on Jan. 12, 2013 at:
http://www.fsa.usda.gov/Internet/FSA_File/su45county0813.pdf

minimum eligibility criteria are funded until the available funds are committed.⁶¹ To be eligible the land must be:

- Cropland that has been planted or considered planted to an agricultural commodity four of the six years between 2002 and 2007. Alfalfa or other multiyear grasses and legumes grown in a rotation not to exceed 12 years may also be eligible; and
- Physically and legally capable of being planted in a normal manner to grow an agricultural commodity.
- In addition, the cropland must:
 - Have a weighted average “Erodibility Index” of eight or greater;
 - Be land enrolled in an expiring CRP contract; or
 - Be located in a national or state conservation priority area.⁶²

The priority of the Washington CREP is riparian buffer restoration and protection along salmon streams including establishing buffers along streamside wetlands.⁶³ In Washington riparian buffers, wetland enhancement, riparian hedgerows, and grass filter strips are eligible for the program.⁶⁴ The Farm Service Agency provides 80 percent of the funding and the State of Washington Conservation Commission provides 20 percent.⁶⁵ This money funds the enhancement work and the annual rental payment for the no touch buffer. In Washington State approximately 40% of all buffers installed are 180 feet wide (the maximum width compensated by CREP) or wider and median width is 150 feet.⁶⁶ The minimum width is 35 feet.⁶⁷

The CREP in Washington has funded projects covering 11,426 acres along 634.4 miles of streams.⁶⁸ In Washington State as of October 1, 2013, excluding continuous sign-ups between July and September 2013, 1,402,423 acres were enrolled in the program.⁶⁹ Only one acre was enrolled in Pierce County.⁷⁰ This low level of enrollment is believed to

⁶¹ *Id.*

⁶² *Id.*

⁶³ Brian Cochrane, *Implementation Monitoring Report for the Washington Conservation Reserve Enhancement Program (CREP) for Federal Fiscal Year 2014* p. 3 (Washington State Conservation Commission: January, 2015) accessed on Feb. 19, 2015 at: <http://scc.wa.gov/wp-content/uploads/2015/01/CREP-Implementation-Monitoring-report-2014.pdf>

⁶⁴ *Id.* at p. 7.

⁶⁵ Washington State Conservation Commission Conservation Reserve Enhancement Program webpage accessed on Jan. 12, 2013 at: <http://scc.wa.gov/crep/>

⁶⁶ Brian Cochrane, *Implementation Monitoring Report for the Washington Conservation Reserve Enhancement Program (CREP) for Federal Fiscal Year 2014* p. 10 (Washington State Conservation Commission: January, 2015).

⁶⁷ *Id.*

⁶⁸ Washington State Conservation Commission Conservation Reserve Enhancement Program webpage.

⁶⁹ United States Department of Agriculture Farm Service Agency, *The Conservation Reserve Program 45th Signup August 2013 County by County Summary* p. 269.

⁷⁰ *Id.*

result from Pierce County farms having relatively small fields making the CREP buffers less practical. In 2013, total rental payments in Washington State exceeded \$12 million.⁷¹

Where is it used?

Throughout the nation and Washington State including Pierce County.

How could this incentive be used more effectively in Pierce County?

The most significant barrier to using the program in Pierce County is believed to be the relative small size of fields that meet the program priorities. Perhaps a local organization could work with farmers and land owners to match farmers who would be interested in program with landowners who would be willing to lease nearby farm land during the term of the rental program allowing the farmers to maintain their agricultural product production.

Relatively low rental payments are also believed to be a barrier. If the CREP program could be coupled with ecosystem payments for water quality improvements this program could become more attractive. These payments are discussed beginning on page 39 of this report. However, in Washington State more land is offered under the CREP program than is accepted.⁷² So this may not be a major barrier to program use.

Where can you get more information on this program?

Washington State Conservation Commission “Conservation Reserve Enhancement Program” (CREP) webpage accessed on Feb. 19, 2015 at: <http://scc.wa.gov/crep/> Given the state program priorities, this is the most useful source of information on the program.

USDA NRCS Conservation Stewardship Program (CSP)

What is it?

The “Conservation Stewardship Program” (CSP) funds agricultural practices that enhance habitat and land and water conservation and provides an annual payment for five years. Tribal and private agricultural lands and non-industrial private forest land are all eligible for the program. In Washington State, the NRCS entered into contracts with CSP participants in 2014 totaling almost \$2.3 million on 125,429 acres of crop, range, and pasture land and 287 acres on non-industrial private forestland. The application deadline is typically in February of each year.

The CSP program offers two types of payments:

1. Annual payment for installing and adopting additional activities, and improving, maintaining, and managing existing activities.

⁷¹ *Id.* at p. 270.

⁷² *Id.* at p. 269.

2. Supplemental payments to use resource-conserving crop rotations.

The CSP program is voluntary and land owners offer their lands during a sign-up period. The offers are then ranked using an environmental benefits index and the highest ranked offers meeting the minimum eligibility criteria are funded until the available funds are committed. While the CSP program does not fund organic transitions, some of the practices it funds can help in the transition to organic agriculture.

Where is it used?

Throughout the nation and Washington State including Pierce County.

How could this incentive be used more effectively in Pierce County?

Informing farmers of the availability of the program.

Where can you get more information on this program?

The USDA Natural Resource Conservation Service Washington FY 2015 Conservation Stewardship Program accessed on Feb. 19, 2015 at:

<http://www.nrcs.usda.gov/wps/portal/nrcs/detail/wa/programs/farbill/?cid=stelprdb1239749>

National Sustainable “Conservation Stewardship Program” webpage accessed on Feb. 19, 2015 at:

<http://sustainableagriculture.net/publications/grassrootsguide/conservation-environment/conservation-stewardship-program/>

USDA NRCS Environmental Quality Incentives Program (EQIP)

What is it?

Environmental Quality Incentives Program (EQIP) is a voluntary program that provides financial and technical assistance to farmers, ranchers, and non-industrial forest land owners. NRCS offers contracts up to a maximum term of ten years. These contracts provide financial assistance to help plan and carryout the conservation practices that address natural resource concerns and for opportunities to improve soil, water, plant, animal, air and related resources on agricultural land and non-industrial private forestland. The payments are made after the conservation practices are implemented.

The application requires an NRCS approved conservation plan. The NRCS works with program applicants to develop the conservation plan which documents the practices that could be used to address the program priorities. Farmers, ranchers, and non-industrial forest land owners may also apply for funding to hire Technical Service Providers (TSP) to develop specialty plans called Conservation Activity Plans (CAP) to address certain land use activities or specific resource needs on their land.

Historically underserved producers; such as limited resource farmers and ranchers, beginning farmers/ranchers, socially disadvantaged producers, Tribes, and Veterans; may be eligible for increased payment rates and payments in advance to carry out the practices in the conservation plans.

The EQIP program consists of several different programs and priorities. Currently, the programs available to Pierce County farmers are:

- General EQIP. This is the program described above where NRCS works with the applicant to prepare a conservation plan and the farmer, rancher, or non-industrial forest land owner carries out the plan and is paid for the work completed.
- The Seasonal High Tunnel Initiative. Seasonal high tunnels are structures made of metal pipe and covered with plastic or other clear or translucent sheeting. They are portable and do not include lights or heat. They extend the growing season for vegetable farmers increasing farm incomes.
- Energy Initiative. First, an energy audit is conducted for the agricultural operation, referred to as an Agricultural Energy Management Plan (AgEMP). The operator can then apply for cost share funding for certain improvements for the farmstead, referred to as the Headquarters program, or for cost sharing for certain agricultural operations such as crop and pasture management, forestry practices, manure handling, and other farming activities under the Landscape program.
- Organic Initiative. This program provides technical assistance and cost sharing funds to address conservation practices suitable for organic producers. Organic producers can also apply under the General EQIP program that is open to both organic and non-organic producers.
- Conservation Activity Plans (CAPs). These are plans specific to a particular operation to address a specific need, such as a comprehensive nutrient management plan.
- Air Quality Initiative. This program provides technical assistance and cost share funding to undertake agricultural practices that would reduce dust production, such as dust control or no till agriculture.
- Pacific Salmon Habitat Improvement Partnership (PSHIP). This EQIP program appears to be under development at this time.

The EQIP also has other eligibility requirements, such a minimum requirement for agricultural earnings and caps on total cost share payments. Some of the programs and priorities change from time to time as well. The NRCS also has funding cutoffs, such it is important to check with the local NRCS office or website to see if applications are being taken.

Where is it used?

Throughout the nation and Washington State including Pierce County. Pierce County farmers and ranchers are currently eligible for all of the programs.

How could this incentive be used more effectively in Pierce County?

Letting farmers and ranchers know the program is available.

Where can you get more information on this program?

The USDA Natural Resource Conservation Service Washington “Environmental Quality Incentives Program: webpage:

<http://www.nrcs.usda.gov/wps/portal/nrcs/main/wa/programs/financial/eqip/>

The National Sustainable Agriculture Coalition Environmental Quality Incentives Program webpage:

<http://sustainableagriculture.net/publications/grassrootsguide/conservation-environment/environmental-quality-incentives-program/>

Marketing Programs

Puget Sound Fresh, Puget Sound Grown, and other Branding Programs

What are they?

“Puget Sound Fresh” and “Puget Sound Grown” are branding programs available to farmers, ranchers, food producers, and farmers markets in the 12 counties bordering Puget Sound. The purpose of the programs is to raise awareness among consumers of locally grown food and agricultural products and help them make informed buying decisions. By marketing the logos and then having farmers, ranchers, food producers, and farmers markets use the logos, consumers are encouraged to choose local agricultural products. This helps build markets for locally grown agricultural products.

Farmers, ranchers, and food producers that enroll in the program can use the program logos to identify their products as locally grown. The “Puget Sound Fresh” logo is used for fresh products, such as meat, fruits, and vegetables. The Puget Sound Grown logo is used for other value-added agricultural products such as wines, jams, and jellies and for sustainably harvested timber and non-timber forest products.

Farmers, ranchers, farmers markets, and food producers that join Puget Sound Fresh are also listed on the program website. The program also produces an annual printed farm guide that is distributed to 100,000 consumers. The farm guide can be downloaded from the Puget Sound Fresh website. Consumers and buyers can search the webpage by the location of the farm or ranch and the type of product they are interested in as well as by the name of the farm or ranch. The webpage also contains lists and maps showing farmers markets in the region and provides recipes and information about food and farm related events.

The program works with the region’s grocery stores, restaurants, retailers, institutions, and other food service providers to encourage them to buy local agricultural products. “Currently, nearly 90 farmers markets in the region sell ‘Puget Sound Fresh’ products.

Local grocery stores featuring ‘Puget Sound Fresh’ include PCC Natural Markets, Metropolitan Market, Central Co-op’s Madison Market, Safeway, QFC, Whole Foods and Haggen/Top Foods.”⁷³ Puget Sound Fresh and Puget Sound Grown are programs of the Cascade Harvest Coalition, a Washington State non-profit organization that works to support farmers and build connections between consumers and producers of agricultural products.

There other branding programs such as the Salmon-Safe certification program. A certification program requires that farmers, ranchers, and other companies and institutions meet certain standards to protect salmon. If they meet these standards, then they can use the logo.

Where are they used?

Throughout the Puget Sound including Pierce County. Some are statewide and Salmon-Safe applies throughout the Northwest.

How could these incentives be used more effectively in Pierce County?

Pierce County is a major funder of this program. Other entities could follow the county’s example and help fund the Cascade Harvest Coalition to increase its marketing of the Puget Sound Fresh and Puget Sound Grown program. They could also provide scholarships to help Pierce County farmers and ranchers to join the program. Additional funding could be provided for scholarships for other programs too.

Where can you get more information on these programs?

The Puget Sound Fresh webpage, accessed on Dec. 10, 2013 at:
<http://www.pugetsoundfresh.org/home>

The Salmon-Safe webpage accessed on Dec. 16, 2013 at: <http://www.salmonsafe.org/>

Marketing Programs

What are they?

Branding is a type of marketing program. In addition to the branding programs discussed above, there are a wide variety of programs that market Washington farm products. Some are crop specific, such as the Washington Apple Commission marketing programs, and some are statewide, such as the Washington Department of Agriculture’s “Savor Washington” campaign that encourages tours focusing on farms, farm products, and related experiences. Some of the programs run expansive advertising campaigns and others are websites with downloadable itineraries.

⁷³ Cascade Harvest Coalition Washington Puget Sound Fresh webpage accessed on Dec. 10, 2013 at:
<http://www.cascadeharvest.org/?q=programs/puget-sound-fresh>

Where is it used?

Many are statewide.

How could this incentive be used more effectively in Pierce County?

It would be helpful to analyze how well the marketing programs are serving Pierce County farmers and ranchers. The analysis could assess how well Pierce County agriculture is marketed and identify any gaps. The county and allied groups could then try to get better coverage under the existing programs or fund a new program.

Where can you get more information on these programs?

Washington State Department of Agriculture Marketing & Business Services website accessed on Dec. 16, 2013: <http://agr.wa.gov/Marketing/>

Washington State Department of Agriculture Savor Washington website accessed on Dec. 16, 2013: <http://agr.wa.gov/Marketing/SmallFarm/SavorWA.aspx#SumnerPuyallup>

Farmers Markets

What are they?

Farmers markets bring together farmers and producers to sell directly to consumers. So the farmer or producer does not sell wholesale, they sell directly to consumers. The farmers benefit from retail prices, but they also have the additional costs of preparing, transporting, marketing, and retailing the products. Products sold in the market must be ready to cook or eat and are sold in retail quantities, so not all crops or farming operations are well suited to farmers markets.

Where is it used?

Farmers markets are widely distributed in Washington State including Pierce County.

How could this incentive be used more effectively in Pierce County?

Pierce County appears to be effectively using this incentive with both good farmers markets in many locations and opportunities for farmers to learn about how to participate in farmers markets.

Where can you get more information on these programs?

Washington State Farmers Market Association accessed on Dec. 16, 2013 at: <http://www.wafarmersmarkets.com/>

Technical Assistance

What is it?

Technical assistance for farmers and ranchers has a long history with a well-established system of land grant universities and county extension agents. Technical assistance is also provided by industry associations, non-profits, and local governments. Technical assistance available to farmers and ranchers in Pierce County include:

- The newly restored Pierce County Extension Agent.
- Pierce County provides extensive public service and technical assistance to for farmers and ranchers in Pierce County in addition to technical assistance. Pierce County Farming webpages at <http://www.piercecountywa.org/farming> are a good start.
- The Pierce County Conservation District. Conservation districts are special purpose local governments with their own elected board. The district provides technical assistance through workshops, free site visits, consultations, and tours so farmers can visit and learn from their neighbors. District staff also works to help farmers develop farm and grazing management plans and does free soil testing. For more information on the district please see the district interview summarized in Appendix A beginning on page 43.
- The Washington State University (WSU) Small Farms Team (in part based near Puyallup) provides extensive resources for small farmers.
- The various agricultural commodity commissions and industry associations provide extensive technical assistance to their members.
- Tilth Producers of Washington provides technical assistance for its members with an emphasis on organic and sustainable agriculture.
- Northwest Agriculture Business Center (NABC). The NABC provides a many services to assist farmers in converting commodity agricultural products, such as fruit, into value-added products, such as dried fruit or fruit juices, and to assist in marketing these products.

Where is it used?

Technical assistance is available statewide in Washington State including Pierce County.

How could this incentive be used more effectively in Pierce County?

Pierce County's decision to again fund a county extension agent was a major step forward in improving technical assistance in Pierce County. This is a significant accomplishment of the Pierce County Agricultural Roundtable and Pierce County. The Pierce County Agricultural Roundtable should continue to make funding the position a priority. The Roundtable should monitor technical assistance needs and advocate for new services as they are needed.

Where can you get more information on these programs?

The Pierce County Extension website accessed on Dec. 16, 2013 at:
<http://county.wsu.edu/pierce/Pages/default.aspx>

The Pierce County Farming webpage accessed on Feb. 19, 2015 at:
www.piercecountywa.org/farming

Pierce County Conservation District website accessed on Dec. 16, 2013 at:
<http://www.piercecountycd.org/home.html>

The Washington State Department of Agriculture website accessed on Dec. 16, 2013 at:
<http://agr.wa.gov/>

The Washington State Department of Agriculture Commissions and Fairs webpage, which has information on the various commodity commissions that provide technical assistance and marketing programs, accessed on Dec. 16, 2013 at:
<http://agr.wa.gov/Portals/CommFair/>

Washington State University (WSU) Small Farms Team accessed on Dec. 16, 2013 at:
<http://smallfarms.wsu.edu/>

Tilth Producers of Washington website accessed on Dec. 16, 2013 at:
<http://tilthproducers.org/>

Northwest Agriculture Business Center (NABC) website accessed on Dec. 16, 2013 at:
<http://www.agbizcenter.org/>

Regulatory Assistance

What is it?

Counties provide assistance to applicants in understanding the applicable regulations and helping them comply with the regulations. This usually includes information on websites, handouts, checklists and other materials.

Where is it used?

All jurisdictions have these programs.

How could this incentive be used more effectively in Pierce County?

Some are more formalized than others. Some jurisdictions give all applicants a certain amount of staff time for a small or no fee. Some jurisdictions assign specially trained staff to certain types of projects, such as agricultural buildings. There are other programs as well.

Where can you get more information on this incentive?

“Pierce County Farming:” Webpage accessed on Feb. 19, 2015 at:
<http://www.piercecountywa.org/farming>

Right-to-Farm Laws

What is it?

Right-to-farm laws protect preexisting agricultural operations from nuisance claims from newer residential and commercial uses. As the Washington State Court of Appeals explained:

¶ 10 A nuisance is “[any] obstruction to the free use of property, so as to essentially interfere with the comfortable enjoyment of ... life and property.” RCW 7.48.010. But right-to-farm laws exempt “agricultural activities”; they are not nuisances by definition. RCW 7.48.300-.310, .905; *Alpentel Cmty. Club, Inc. v. Seattle Gymnastics Soc’y*, 154 Wn.2d 313, 317, 111 P.3d 257 (2005). The right-to-farm act was a direct response to the urbanization of rural communities and the increase in nuisance actions related to “agricultural activities conducted on farmland.” *Alpentel Cmty. Club*, 154 Wn.2d at 317, 111 P.3d 257 (quoting RCW 7.48.300); *Vicwood Meridian P’ship v. Skagit Sand & Gravel*, 123 Wn. App. 877, 882-83, 98 P.3d 1277 (2004).

¶ 11 The state right-to-farm act exempts “agricultural activities” if the activity meets three conditions. RCW 7.48.305; *Buchanan v. Simplot Feeders Ltd. P’ship*, 134 Wn.2d 673, 680, 952 P.2d 610 (1998). The “agricultural activit[y]” must be (1) “consistent with good agricultural ... practices,” (2) it must be “established prior to surrounding nonagricultural ... activities,” and (3) it must not “ha[ve] a substantial adverse effect on the public health and safety.” RCW 7.48.305 An “agricultural activity” is “a condition or activity which occurs on a farm in connection with the commercial production of farm products.” RCW 7.48.310(1).⁷⁴

Farmers or ranchers who prevail in a lawsuit claiming that their activities constitute a nuisance may recover their attorney fees and costs in defending against the lawsuit.⁷⁵

Where is it used?

⁷⁴ *Davis v. Taylor*, 132 Wn. App. 515, 719, 132 P.3d 783, 784 – 85 (2006), review granted by *Davis v. Taylor*, 159 Wn.2d 1007, 154 P.3d 918 (2007), review dismissed, cause remanded by *Davis v. Taylor*, 161 P.3d 379 (2007).

⁷⁵ RCW 7.48.315.

Right-to-farm laws apply statewide. Pierce County has its own right to farm law in Chapter 18I.35 PCC, Right to Farm Protections.⁷⁶ County right-to-farm laws probably need to be consistent with the state right to farm law.⁷⁷

How could this incentive be used more effectively in Pierce County?

Pierce County appears to be effectively using this incentive. While right-to-farm laws have their limitations, they do provide effective protection for farmers in many circumstances. However, they do not prevent complaints and trespasses that can interfere with agricultural operations, so keeping incompatible uses away from agricultural operations is important.

Where can you get more information on this incentive?

American Farmland Trust Farmland Information Center, *Fact Sheet Right-to-Farm Laws* (September 1998) accessed on Dec. 16, 2013 at:

<http://www.farmland.org/programs/states/wa/documents/APPENDIXI-Righttofarmlaws.pdf>

Washington State's Right to Farm Law RCW 7.48.300 through RCW 7.48.320 accessed on Dec. 16, 2013 at:

<http://apps.leg.wa.gov/rcw/default.aspx?cite=7.48&full=true#7.48.300>

Pierce County Chapter 18I.35 PCC, Right to Farm Protections, accessed on Dec. 16, 2013 at: <http://www.piercecountywa.org/DocumentCenter/View/1164>

Current use taxation program

The American Farmland Trust's *Assessment of Farms and Farmland Protection Programs in Puget Sound Counties – DRAFT* summarizes the current use taxation program on pages 18 and 19. Farm land is eligible for the current use agricultural program if it meets any one of these criteria:

- One or more parcels of 20 or more acres devoted primarily to the production of livestock or agricultural commodities for commercial purposes or enrolled in the CREP program.
- One or more parcels of five acres or more but less than 20 acres, devoted primarily to agricultural uses, which have produced a gross income from agricultural uses equivalent to two hundred dollars or more per acre each year for three of the last five calendar years.
- Any parcel of land that is less than five acres devoted primarily to agricultural uses that has produced a gross income of \$1,500 or more each year for three of the last five calendar years.

⁷⁶ Accessed on Dec. 16, 2013 at: <http://www.piercecountywa.org/DocumentCenter/View/1164>

⁷⁷ *Davis v. Taylor*, 132 Wn. App. 515, 719 – 20, 132 P.3d 783, 785 (2006).

- Eligible agricultural lands also include non-contiguous parcels from one to five acres in size that constitute an integral part of a farming operation.⁷⁸

Land meeting the eligibility criteria is taxed at its current value for farm land, not the highest and best use that other lands are taxed at. If land is withdrawn from the program, the landowner will have to pay the difference between the current use tax rate and highest and best tax rate for the past seven years, interest, and in some cases penalties.⁷⁹

However, if land is going to be farmed for more than seven years and, in many cases even seven years or less, this is good deal for the land owner.

An important benefit of being enrolled in the agricultural, or forest land, current use taxation program is that the land is exempt local improvement district (LID) assessments or special benefit assessments for the construction of sanitary sewers, storm drainage systems, domestic water supply and distribution systems, and road construction or improvements. Since farm and ranch land do not need these urban facilities and services they do not have to pay for them as long as they are in the current use taxation program.⁸⁰

In addition to the agricultural current use taxation program which has the above criteria, Pierce County has a “public benefit rating system” which can be used to reduce the property taxes on other land that meet certain criteria.⁸¹ Pierce County uses a point system for its public benefit rating system. The more points that the property qualifies for, the lower its assessed valuation and property taxes. Farm land meeting certain criteria would be eligible for reductions in their assessed valuation and therefore property taxes under that program.

Informal equipment sharing or an equipment coop

What is it?

Farmers have historically shared equipment. This is done both informally and formally.

An example of formal sharing is the Pierce Conservation District and the Puget Sound Meat Producers Cooperative who funded and operate a Mobile Meat Processing Unit.⁸² This unit can be scheduled to come to a farm and ranch under slaughter and butcher livestock. The livestock are inspected by the United States Department of Agriculture and so can be sold to consumers, restaurants, supermarkets, and at farmers markets. The farmers and ranchers pay the cost of this service.

⁷⁸ RCW 84.34.020(2); RCW 84.34.035.

⁷⁹ RCW 84.34.108(4)(a).

⁸⁰ RCW 84.34.320.

⁸¹ PCC 2.114.060; Chapter 2.114 PCC Table 2.114-1 Public Benefit Rating System & Table 2.114-2 Value Reduction and Current Use Assessment Valuation Schedule Table.

⁸² Pierce Conservation District Mobile Meat Processing Unit webpage accessed on Dec. 16, 2013 at: <http://www.piercecountycd.org/mobilemeat.html>

The Pierce Conservation District also has other equipment that they make available to farmers and ranchers.⁸³

Where is it used?

Pierce County. Other conservation districts have similar programs.

How could this incentive be better used in Pierce County?

The Pierce Conservation District seems to be effectively using this program. The district could monitor the need for other equipment to share and make it available as needed if it is feasible to do so.

Where can you get more information on this type of programs?

Pierce Conservation District Mobile Meat Processing Unit webpage accessed on Dec. 16, 2013 at: <http://www.piercecountycd.org/mobilemeat.html>

Appendix A of this paper: Interviews with Conservation Districts on Existing and Potential Incentives Pierce Conservation District: Renee Skaggs and Sarah Wilcox. See page 43 of this paper.

Shared farm labor recruitment or a shared farm labor pool

What is it?

Some Pierce County farmers are transiting from crops that were not labor intense to crops that are labor intensive such as fresh vegetables. These crops many need more agricultural workers than the earlier crops. Farmers could form a cooperative to help recruit, train, and retain agricultural workers. A cooperative could also help farmers manage benefit programs. Such a cooperative would need to be carefully set up and managed to comply with state and federal labor laws.

Where is it used?

Agricultural cooperatives are common in Washington State.

How could this incentive be used in Pierce County?

Interested farmers could explore the feasibility of a coop for this purpose.

⁸³ See Appendix A of this paper: Interviews with Conservation Districts on Existing and Potential Incentives Pierce Conservation District: Renee Skaggs and Sarah Wilcox.

Ecosystem Services Payments or Payments for Services from Environmental Markets

What is it?

Well managed farm and ranch land can produce environmental benefits in addition to food and other agricultural products. In this incentive, farmers and ranchers are paid for those environmental benefits, sometimes referred to as environmental services. Environmental services refers to a wide variety of environmental benefits such as storing flood waters, infiltrating storm water, storing carbon dioxide (a greenhouse gas) in the soil, and providing fish and wildlife habitat to name a few environmental services.

Where is it used?

A few forms of ecosystem services have been around for years, such as farmers and ranchers being paid to allow hunters to use their land. In some cases states have made these payments and in other cases it has been the hunters.

There have been some pilot projects in Washington State. In Eastern Washington, Eastern Oregon, and Idaho, the Pacific Northwest Direct Seed Association, an association of farmers that practice farming techniques that use little tilling, leased the carbon matter that this method of farming stores in the soil to an energy company.⁸⁴ The price they were paid was low, but it does show that markets for ecosystem services are beginning to emerge, although carbon markets are not yet well developed due to uncertainty over when and how greenhouse gas emissions will be regulated.

In Skagit County, The Nature Conservancy, with funding from the U.S. Department of Agriculture, paid farmers to rent some of their farmland to grow shorebird habitat. This program also studied the habitat benefits and whether this type of “crop” rotation could provide benefits for farmers. The monitoring studies showed that “total nitrogen,” a plant nutrient, increased at a faster rate on the flooded fields than either grazed or harvested fields.⁸⁵

The U.S. Army Corps of Engineers is also studying flood damage and potential solutions in Skagit County. One solution being considered is to purchase flowage easements that would allow the storage of flood waters on farmland outside of the growing season.

⁸⁴ Don Stuart, Dennis Canty, with Katherine Killebrew, *Guide to Environmental Markets for Farmers and Ranchers: A Practical Guide to Ways Agricultural Producers Can Profit from the Growing Environmental Marketplace* p. 11 (American Farmland Trust: October 2010). Accessed on Dec. 10, 2013 at: <http://www.farmland.org/documents/GuidetoEnvironmentalMarketsforFarmersandRanchers.pdf>

⁸⁵ Washington State University and the University of Washington, The William D. Ruckelshaus Center, *Farming for Wildlife, Skagit Delta: The Nature Conservancy* p. 2. Accessed on Dec. 10, 2013 at: <http://www.ruckelshauscenter.wsu.edu/Farming%20for%20Wildlife.pdf>

How could this incentive be used in Pierce County?

Right now, environmental markets are in an early stage. It is likely that markets for carbon stored in agricultural soils will be a significant market when greenhouse gas emission regulations are adopted.⁸⁶ The U.S. Environmental Protection Agency and the U.S. Department of Agriculture are working to encourage water quality trading where it can cost-effectively reduce water pollution.⁸⁷ States would set limits on water pollution in a basin and companies and governments that are obligated to reduce their pollution would purchase pollution reduction credits from farmers that have reduced water pollution or enhanced water quality.

Where can you get more information on these types of programs?

Don Stuart, Dennis Canty, with Katherine Killebrew, *Guide to Environmental Markets for Farmers and Ranchers: A Practical Guide to Ways Agricultural Producers Can Profit from the Growing Environmental Marketplace* (American Farmland Trust: October 2010). Accessed on Dec. 10, 2013 at:

<http://www.farmland.org/documents/GuidetoEnvironmentalMarketsforFarmersandRanchers.pdf>

The Nature Conservancy Washington Farming for Wildlife webpage accessed on Dec. 10, 2013 at:

<http://www.nature.org/ourinitiatives/regions/northamerica/unitedstates/washington/explore/farming-for-wildlife.xml>

Agricultural Water District or Irrigation District

What is it?

In Pierce County in 2007, 4,453 acres of farmland was irrigated.⁸⁸ This is a significant amount of land and some crops in Pierce County would benefit from irrigation. Much of the water in the Pierce County “has already been spoken for” and there is “limited water available for new uses”⁸⁹ In some parts of the county there is probably no unappropriated water.⁹⁰

⁸⁶ Don Stuart, Dennis Canty, with Katherine Killebrew, *Guide to Environmental Markets for Farmers and Ranchers: A Practical Guide to Ways Agricultural Producers Can Profit from the Growing Environmental Marketplace* p. 11 (American Farmland Trust: October 2010).

⁸⁷ USDA Office of Communications, USDA, EPA Partnership Supports Water Quality Trading To Benefit Environment, Economy (12/03/2013). Accessed on Dec. 10, 2013 at: <http://content.govdelivery.com/accounts/USDAO/bulletins/97d64c>

⁸⁸ United States Department of Agriculture, National Agricultural Statistics Service, *2007 Census of Agriculture, Washington State and County Data Volume 1 Geographic Area Series • Part 47* Chapter 2: County Level Data, Table 10. Irrigation: 2007 and 2002 p. 308 (Feb. 2009).

⁸⁹ Washington State Department of Ecology Water Resources Program, *Focus on Water Availability Puyallup-White Watershed, WRIA 10* p. 1 (Publication Number: 11-11-015, Revised August 2012) and accessed on Dec. 16, 2013 at: <https://fortress.wa.gov/ecy/publications/summarypages/1111015.html>; Washington State Department of Ecology Water Resources Program, *Focus on Water Availability*

While irrigation districts are often thought of as a central and eastern Washington institution, they exist in Western Washington too. An informal agricultural water district or a more formal irrigation district could address issues related to irrigation and the potential work to use existing irrigation water more efficiently, allowing them to be used on other lands, or to find additional sources of irrigation water although that may be difficult.

Where is it used?

An agricultural water district or irrigation district could be formed in Pierce County.

How could this incentive be used in Pierce County?

An agricultural water district or irrigation district could be formed in Pierce County if there is sufficient demand for irrigation water. It could explore whether using existing irrigation water more efficiently would allow the irrigation of more land or whether reclaimed water, highly treated waste water, could be used for irrigation for farms near sewage treatment plants.

Where can you get more information on this type of program?

Washington State University Extension, Oregon State University Extension, and University of Idaho Extension Washington Irrigation webpage accessed on Dec. 16, 2013 at: <http://irrigation.wsu.edu/Content/Washington-Irrigation.php>

Pacific Southwest, Region 9, Water Recycling and Reuse: The Environmental Benefits webpage accessed on Jan. 21, 2013 at: <http://www.epa.gov/region9/water/recycling/#uses>

Zoning Incentives

What is it?

The American Farmland Trust's *Losing Ground: Farmland Protection in the Puget Sound Region* summarizes effective agricultural zoning on pages 9 through 18.⁹¹ The report also discusses some regulations that can function as incentives. This paper focuses on just the incentives element of development regulations.

Where is it used?

Nisqually Watershed, WRIA 11 p. 1 (Publication Number: 11-11-016, Revised August 2012) and accessed on Dec. 16, 2013 at: <https://fortress.wa.gov/ecy/publications/summarypages/1111016.html>

⁹⁰ Washington State Department of Ecology Water Resources Program, *Focus on Water Availability Chambers-Clover Watershed, WRIA 12* p. 1 (Publication Number: 11-11-017, Revised August 2012) and accessed on Dec. 16, 2013 at: <https://fortress.wa.gov/ecy/publications/summarypages/1111017.html>

⁹¹ Accessed on Feb. 19, 2015 at: <http://www.farmland.org/documents/AFTLosingGroundReportWeb.pdf>

Statewide including Pierce County.

How could this incentive be used in Pierce County?

The allowed uses in the Agricultural Resource Lands (ALR) and Rural Farm (RF) zones are listed in Appendix B of this report. From the perspective of providing incentives for agriculture, the various Agricultural Resource Lands (ALR) zones are pretty good. This is the Pierce County Zone for agricultural lands of long-term commercial significance. The uses that would make sense to add from the perspective of providing incentives for appropriate agricultural lands uses include renewable electrical generating facilities that would not consume significant amounts of agricultural land. This use could also be allowed in RF zones which is a rural zone designed to support agriculture.

Some of the uses allowed in the ALR and RF zones have the potential to adversely impact agriculture and should be considered for removal from the allowed uses. These uses include group homes not accessory to an agricultural operation, certain public parks, transportation facilities, sewage collection facilities, storm water facilities that serve uses other than agriculture related uses, utility or public maintenance facilities, and surface mines.

Another way to provide incentives for agriculture is to provide better protections for farms and farmers. This would include fences and buffers to separate non-agricultural uses from agriculture, discouraging non-agricultural traffic farm roads, and better storm water management to protect farms, many of which are in valleys, from excessive storm water runoff from above or in the valley.

It would also be helpful to review the Pierce County critical areas regulations to make sure that the regulations address the concerns of the agricultural industry while maintaining protections for critical areas. A recent example of accommodating the needs of the agricultural industry is the allowance for livestock flood sanctuaries, elevated areas where livestock can seek sanctuary away from flood waters, in the parts of the flood plain outside the floodway.

Where can you get more information on this type of program?

Pierce County Code (PCC) Title 18A, the County's primary zoning regulations accessed on Feb. 19, 2015 at: <http://www.co.pierce.wa.us/DocumentCenter/View/1156>

Appendix A: Interviews with Conservation Districts on Existing and Potential Incentives

These interviews were conducted by Robin Fay of the American Farmland Trust during November and December 2013.

Pierce Conservation District: Renee Skaggs and Sarah Wilcox

Observing that “people will be better stewards of the land if they are viable” the Pierce County Conservation District (PCD) works to promote and support farmers and the agricultural industry from the ground up, and took an innovative approach in developing their agricultural assistance program—designing it to follow every part of the food system.

The District provides beginning and veteran farmers alike with resources and education through workshops, free site visits, consultations, and by facilitating tours so farmers can visit and learn from their neighbors. Each year, district staff does between 100-200 site visits and approximately 200 people attend PCD workshops. District staff also works to help farmers develop farm and grazing management plans and does free soil testing.

PCD administers their own cost share, small loan, and Green Partnership Fund small grant programs, helping to fund between 50-100% of the cost of projects that implement Best Management Practices (BMPs) and improve environmental quality. The District also helps landowners take advantage of programs like the USDA NRCS Environmental Quality Incentive Program (EQUIP), or get money to complete projects through other agencies like the Department of Ecology.

The District has also worked to build agricultural infrastructure in the county, creating mobile meat processing and small-scale poultry-processing units to help producers bridge the gap from small-scale to commercial production. The district also has a specialty equipment-sharing program, including a manure spreader, and hay probe for sampling nutrient content. Occasionally the District has purchased farmland and will hold easements, providing or preserving the opportunity for local farmers to farm.

PCD uses conventional and social marketing to let people know about the resources they provide, and helps producers market farm products through local farmers markets, and partnerships with Puget Sound Fresh, WSU, and Pierce County. PCD even worked to start a local food co-op. One observation Sarah made is that PCD collects a dedicated assessment through the county tax code, and that Conservation Districts that do so often have more funding available with fewer strings attached and can usually develop better programs and offer more service. CDs are authorized by the State to ask for and collect up to \$5/parcel.

Snohomish Conservation District: Cindy Dittbrenner and Bobbi Lindemulder

Farm Bill and NRCS programs, although often geared towards incentivizing specific environmental improvements, can also be really beneficial to the farmer's bottom line. Cost share programs paying up to 100 percent of the total cost to purchase equipment or get improvement projects done on farms can include: installing gutters, improving heavy use areas, and building compost bins. CREP is another example of a NRCS program that provides financial incentive to farmers, and can pay landowners to do restoration on marginal farmland that would otherwise not be profitable.

Snohomish CD has talked with the Pierce CD about partnering on a small loan program that would allow farmers to purchase or upgrade equipment. Spokane CD has a successful loan program that actually makes the Conservation District money, and an equipment rental program. Some counties also have loan programs to help replace or maintain septic systems, especially in areas like the Hood Canal that have issues with low dissolved oxygen. Snohomish CD has a farm equipment-sharing program (just a manure spreader so far) that operates on a donation basis. So far the program has been running successfully for two years—the second year saw increased use, probably because more people had learned about the program. Cindy anticipates continued interest and increased participation as the program become more widely known.

The Northwest Ag Business Center helps farmers develop business plans. There is also a program called Cultivating Success that runs a nine-week class run through WSU, and the Business Entrepreneurship class. Although farmers pay \$250 to enroll in these classes, it ends up being a great deal for the farmer because they leave the class with a business plan they can take to the bank. Unfortunately, not every county extension office has the money to offer the class; people end up coming from all over the region to attend the class in Snohomish County.

Drainage and irrigation are both big issues. King County has an Ag Drainage Assistance Program (ADAP) that works to change county code to allow farm pads and helps farmers plan for the necessary infrastructure. Many of the drainage tiles in the region—originally installed by NRCS—have reached the end of their useful life span and will need to be replaced in the near future. Some counties have the money to help farmers do this, but others do not.

Some land owners buy land currently enrolled in Current Use Taxation and don't even realize that they will be required to keep it in production or else pay back taxes. More resources to help landowners learn what they need to know up front would be helpful. Brandy Reed at the King Conservation District is the liaison for the Puget Sound caucus of Conservation Districts, would be good contact.

King Conservation District: Josh Monaghan

So many of the incentive programs that exist currently have been pilots, or have been funded as pilot programs. This has meant that many good programs are poorly funded. Increasingly, if agriculture is going to flourish programs need to make the leap and begin operating at scale—going beyond status quo. The question becomes, what do we scale up? What has worked well enough to be worthy and what would still work well at scale?

The King County Conservation District partnered with Cascade Harvest Coalition and King County Ag Extension service to put together a report that tried to illustrate what resources are available to farmers (Josh is sending this over).

The food system approach that Vermont has taken seems very successful, although was likely expensive to implement. Their approach looked at agriculture as a job creation engine. By focusing on market analysis Vermont food system planners were able to reduce unknowns, and by doing so also reduce risk. This allowed entrepreneurs to find opportunities and feel comfortable investing in farming. In order to take more of the farm supporting programs here in the Puget Sound to scale, we need better economic research around the farm industry. No one is doing this currently. This may be because many of the people working on the preservation of farmland and the agricultural industry are from a planning background, and not economists. A shift towards more economic analysis may require working outside of our comfort zone, and forming unconventional partnerships.

Lastly, important to keep in mind that the list of incentive programs we come up with is a snapshot in time. The funding sources and the programs they support always change over time.

Appendix B: Allowed Uses in Agricultural Resource Lands (ALR) and Rural Farm (RF) Zones

Allowed Uses	ALR (Outside Community Plan Areas with their Own	ARL (Alderton-McMillin)	RF (Alderton-McMillin)	ALR (Anderson Island)	RF (Anderson Island)	ALR (Gig Harbor Peninsula)	ALR (Graham)	RF (Graham)	ALR (Key Peninsula)	RF (Key Peninsula)	ALR (Mid-County)	ALR (Upper Nisqually)
Group Home	C	C	C	C	C	C			C	C	C	C
Mobile Home	P	P	P	P	P		P	P	P	P		P
Single Family Detached Housing	P	P	P	P	P	P	P	P	P	P	P	P
Two-Family Housing (Duplex)	P	P	P	P	P	P			P	P		P
Community and Cultural Services										P*, C*		
Public Park Facilities	P*			P*	P*	P*	P*	P*	P*	P*, C*	P*	P*
Transportation										P*, C*		
Electrical Facilities	P	P	P	P	P	P	P	P	P	P	P	P
Natural Gas Facilities	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*
Organic Waste Processing Facilities	P*, PFP*	P*	P*	P*, PFP*	P*, PFP*	C*	P*, PFP*	C*, PFP*	P*	P*	P*, PFP*	P*, PFP*
Pipelines	P	P	P	P	P	P	C	C	P	P	P	P
Sewage Collection Facilities		P	P*				P*	P*	P*	P*		
Stormwater	P	P	P	P	P	P	P	P	P	P	P	P

Allowed Uses	ALR (Outside Community Plan Areas with their Own	ARL (Alderton-McMillin)	RF (Alderton-McMillin)	ALR (Anderson Island)	RF (Anderson Island)	ALR (Gig Harbor Peninsula)	ALR (Graham)	RF (Graham)	ALR (Key Peninsula)	RF (Key Peninsula)	ALR (Mid-County)	ALR (Upper Nisqually)
Facilities												
Telecommunication Towers or Wireless Facilities	P*,C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*	P*, C*
Utility or Public Maintenance Facilities						P*, C*	P*, C*, PFP*	P*, C*, PFP*		P*, C*		
Waste Disposal Facilities	C*, PFP*	C*	C*	C*, PFP*	C*, PFP*				C*	C*	C*, PFP*	C*, PFP*
Waste Transfer Facilities						P					P*	
Water Supply Facilities	P*, A*, C*	P*, A*, C*	P*, A*, C*	P*, A*, C*	P*, A*, C*	P*, A*, C*	P*, A*, C*	P*, A*, C*	P*, C*	P*, C*	P*, A*, C*	P*, A*, C*
Agritourism	P*	P	P	P*	P*	P*	P*	P*	P	P	P	P*
Agricultural Services	P	P	P	P	P	P	P	P	P	P	P	P
Agricultural Supply Sales	P*	P*	P*	P*	P*	P*			P*	P*	P*	
Animal Production, Boarding, and Slaughtering	P	P*, C*	P*, C*	P	P	P	P*, C*	P*, C*	P	P	P	P
Crop Production	P	P*, C*	P*, C*	P	P	P	P	P	P	P	P	P
Fish Processing, Hatcheries and Aquaculture	P	P	P	P*	P*	P	P	P	P	P	P	P

Allowed Uses	ALR (Outside Community Plan Areas with their Own	ARL (Alderton-McMillin)	RF (Alderton-McMillin)	ALR (Anderson Island)	RF (Anderson Island)	ALR (Gig Harbor Peninsula)	ALR (Graham)	RF (Graham)	ALR (Key Peninsula)	RF (Key Peninsula)	ALR (Mid-County)	ALR (Upper Nisqually)
Forestry	P*	P*	P*, C*	P*	P*	P*	P*	P*	P*	P*, C*	P*	P*
Surface Mines	C, PFP			C, PFP	C, PFP	C			C	C	C	C, PFP
Lodging		P	P*, C*							C*		
Food and Related Products Manufacturing		P*, C*	P*, C*							C*		

“*” means the use must comply with use specific standards.

“P” means the use is a permitted use.

“C” means the use requires a Conditional Use Permit including a public hearing before the county hearing examiner to determine if the use is compatible with its proposed site.

“A” means the use requires an Administrative Use Permit to determine if the use is compatible with its proposed site.

“PFP” means that if the use is provided by a governmental entity to serve a specific public need identified in an adopted facility plan, a Public Facilities Permit is required. Otherwise, the use is allowed according to the applicable symbol for that use in the zone.

Source: PCC Table 18A.17.020, PCC Table 18A.18.020, PCC Table 18A.19.020, PCC Table 18A.23.020, PCC Table 18A.24.020, PCC Table 18A.26.020, PCC Table 18A.27.020, and PCC Table 18A.31.020 accessed on Feb. 19, 2015 at:

<http://www.co.pierce.wa.us/DocumentCenter/View/1156>