

AS THE CITY GROWS

by Robert W. Ford, CRE

City expansion and continued population growth in this country are removing valuable agricultural lands from our inventory. This diminishing farmland base affects our attitudes toward growth and our ability to provide food and fiber for current and future needs. An understanding of the phenomenon will help us analyze present and probable trends affecting land use on the periphery of our cities.

Need To Protect Agricultural Lands

It is critical that we maintain a viable agricultural economy in order to provide food and fiber. As a country we produce a surplus of food and are able to export it to less capable countries. In recent years, though, our ability to continue this mode in the future has come into question.

The food and fiber produced in the U. S. are used primarily to feed and clothe our fast-growing population, but we also market a growing volume of agricultural products (Figure 1). The harvest from one in every four acres of cropland in America goes to other countries. Exports increased an average 10 percent annually during the decade of the 1970s, reaching 25 percent of the American farmers' cash earnings today compared to 10 percent in the early 1950s. In 1980 the market value of U. S. agricultural exports reached a record \$40 billion. When balanced against an \$18 billion agricultural import, this results in a positive trade balance of about \$22 billion, a figure representing about one-fourth of our foreign oil bill.

This paper was delivered by Mr. Ford at the Eleventh Pan Pacific Congress of Real Estate Appraisers, Valuers and Counselors, held last October in Melbourne, Australia.

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Meanwhile, we have been converting agricultural land to nonagricultural uses at the rate of about three million acres per year, of which about one million is from our cropland base. This land has been paved over, built on, flooded or in other ways converted to nonagricultural uses. Planners, economists and agricultural experts who are responsible for providing food and fiber to a growing worldwide population are concerned about the loss of this land to agriculture.

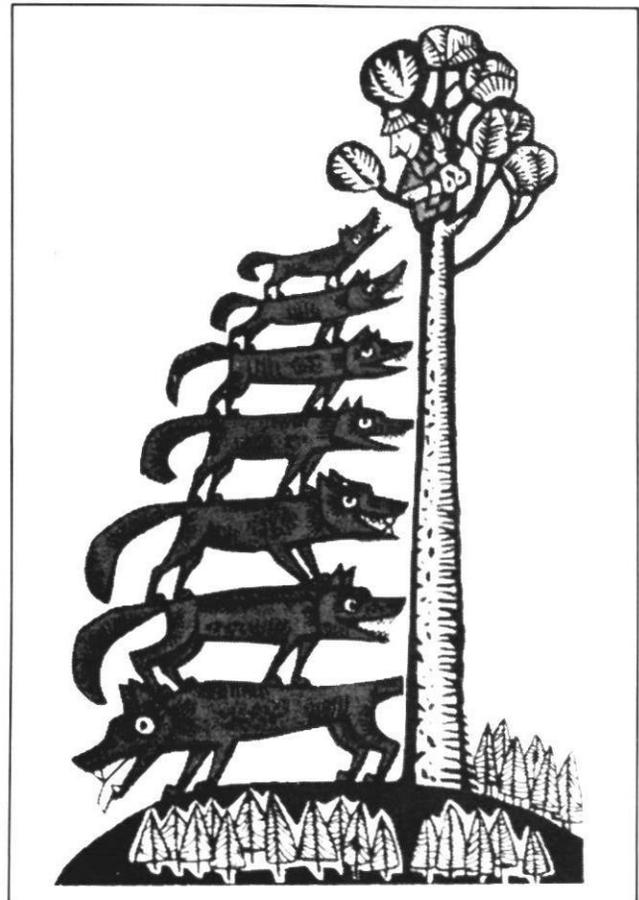
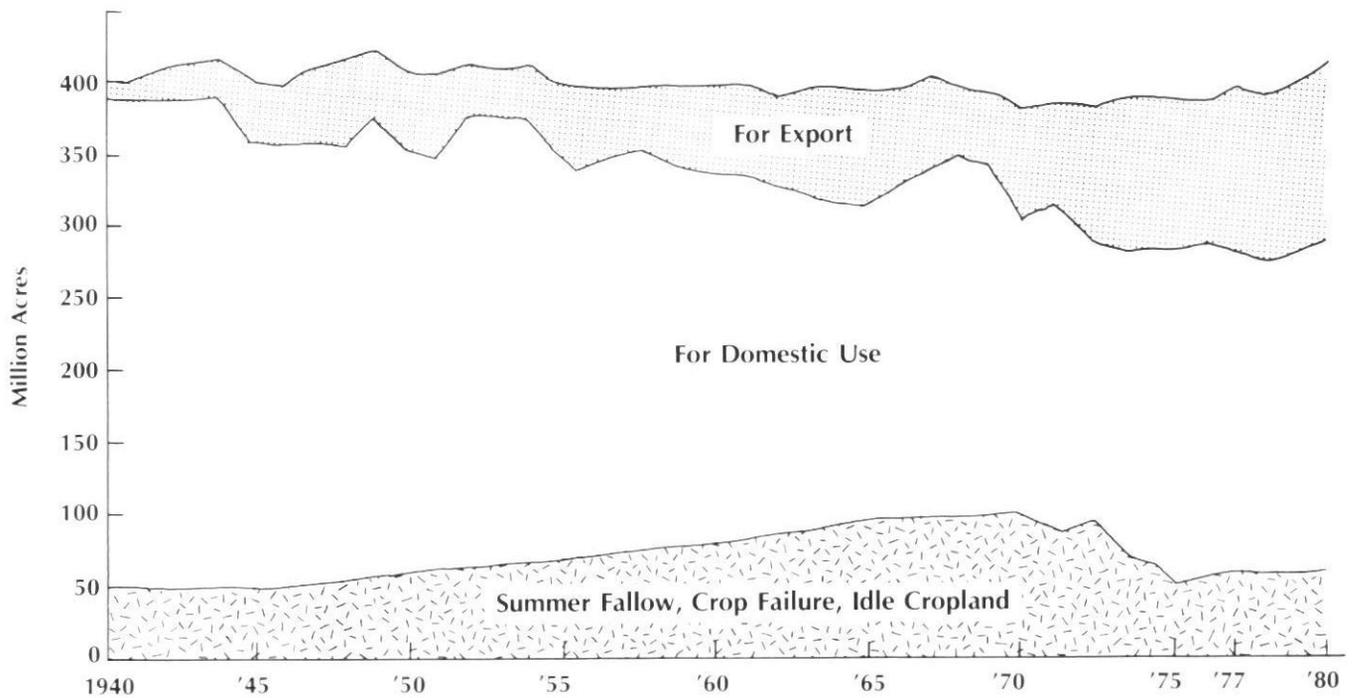


FIGURE 1
 Acreage of Crops Harvested, Summer Fallow, Idle and Crop Failure
 U.S. 1940-1980



Source: National Agricultural Lands Study, Final Report 1981, Washington, D.C.

Figure 2 shows America's land base in 1977, including all the lands within the country and their allocation by use at that time. The cropland base of 540 million acres included 413 million of existing cropland. Potential cropland — lands with high to medium potential for conversion from other lower-value agricultural uses — makes up the difference.

In past years, production from lands lost to agriculture has been replaced by new lands brought under irrigation and converted to cropland use, and by the ability of American agriculture to develop varieties that have increased crop yields. A combination of these elements has resulted in increased agricultural production despite a diminishing land resource. The National Agricultural Lands Study, a joint effort of the Department of Agriculture and the Environmental Protection Agency, clearly identifies the agricultural land base. Their documentation shows that agricultural lands in the U.S. are a finite resource and eventually will need to be protected. The immediate need is to slow down the conversion process of prime agricultural lands to other uses.

An emerging question is: Do we develop the land as needed to take care of our growing population in expanding cities, or do we preserve the agricultural lands and uses and prevent needless conversion to non-agricultural use? Our early settlers built new cities on

prime locations adjacent to rivers and strategically located on valley floors or other similar places. These sites often were also where the best farmland was located. Thus, today many of our cities are located on prime agricultural lands. If these cities expand, the adjoining prime agricultural lands probably will be converted to nonagricultural use.

The solution to these problems is hidden in the mix of many concerns, including:

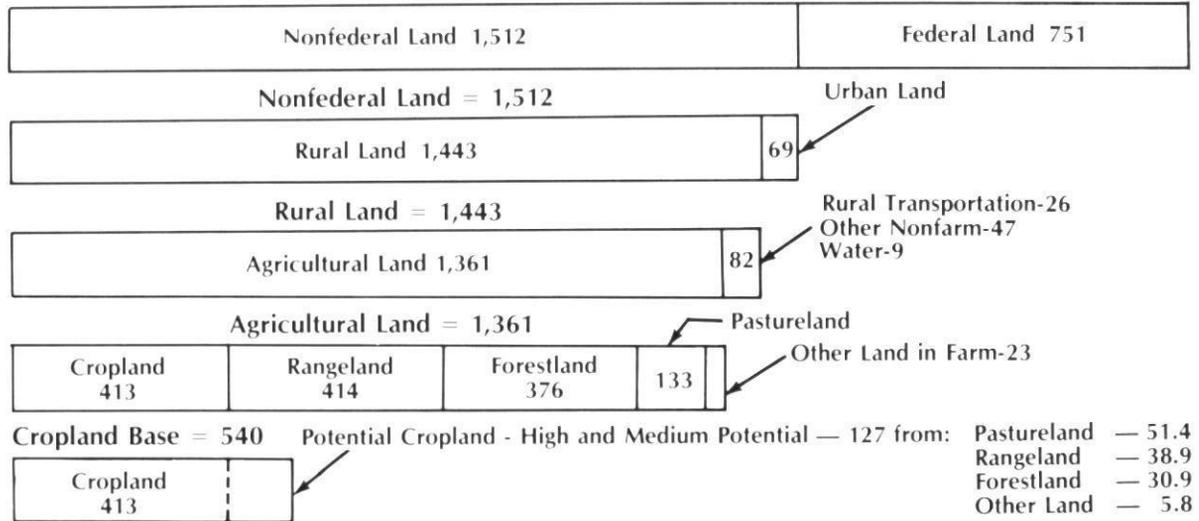
- Land use questions: where to put the country's population, factories, shipping, reservoirs and roads;
- Land tenure issues raised by the desire to maintain family farming and bring more citizens onto the farm, and the questions of corporate farming and foreign ownership of lands; and
- The need to protect the agricultural land base.

In the past, solutions have often been made for political expediency. Fortunately, however, our growing awareness of the size of our agricultural resource and need for it has received the attention of many officials. In some areas, a basis for agricultural land protection has been developed.

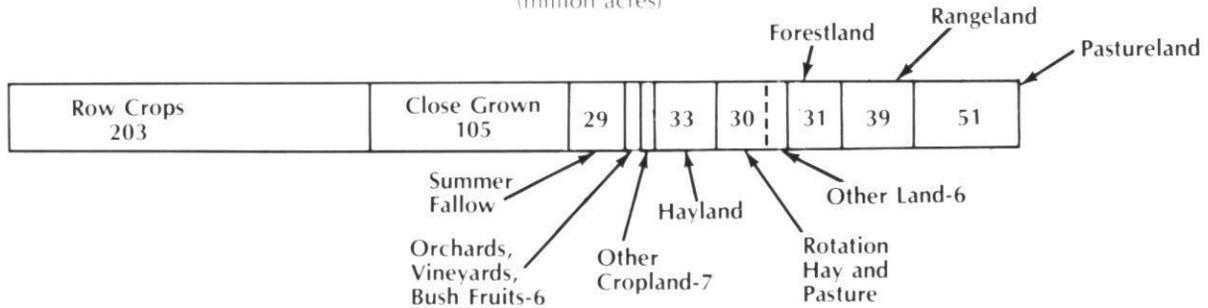
FIGURE 2

America's Land Base in 1977
(million acres)

Total U.S. = 2,263



Uses of the Cropland Base in 1977
(million acres)



Note: Unless otherwise specified, all data and references to the United States or to the "U.S. agricultural land base" in this report refer to the 50 states. In discussions based on Census of Agriculture and farm production regions, Alaska and Hawaii are excluded from the Western Region and U.S. totals.

Source: National Agricultural Lands Study, Final Report 1981, Washington, D.C.

Protection Programs And Regulations Developed

Canada has agricultural protection programs in the provinces of British Columbia, Saskatchewan and also on Prince Edward Island. In British Columbia, when the new Democratic Party was elected to form a government for the province in 1972, one of the top priorities was to protect farmland from urban encroachment. A freeze that prohibited subdivision of farmland was enacted in 1973, and a Land Commission was created to establish permanent agricultural land reserves and prohibit the non-agricultural use of land. As of 1978, 11.6 million acres are reported to be in reserve status.

In Saskatchewan, the need to encourage agricultural expansion and attract young farming families resulted in a program which helps farmland owners dispose of their

land at a fair price and to help new farmers establish. On Prince Edward Island, the Land Development Corporation was established in 1969 to solve the problem of abandonment of small farm holdings, many of which are on first-rate agricultural soils. The corporation purchases lands that are for sale and improves them by repairing structures, improving drainage and taking other conservation measures, and then resells the property on favorable terms to adjoining or other farmers.

In the U.S., many counties and states have developed agricultural protection regulations. The National Agricultural Land Study identified nine viable ways to protect agricultural land here. If one or more of these measures have not already been implemented in agricultural areas, they probably will be imposed in the near future.

The state and local efforts identified are as follows:

1. *Comprehensive planning* — a process which leads to the adoption of a set of policies regarding land use, transportation, housing, public facilities and economic and social issues.
2. *Agricultural zoning* — a legally binding designation which specifies agricultural land uses, including the type, amount, location and size of development.
3. *Agricultural districting* — generally a nonbinding designation of specific tracts for long-term agricultural uses and usually coupled with benefits and assurances which improve conditions for farming.
4. *Purchase of development rights* — purchase of the right to develop from owners of specific parcels, leaving the owner all other ownership rights. The price of the rights is the diminution in the market value of the land as the result of the removal of development rights. The remaining value is “farm use” value.
5. *Purchase and resale or lease with restrictions* — purchase of land, imposition of restrictions on use and development and resale at market price. The end result is equivalent to purchase of development rights.
6. *Transfer of development rights* — development rights on land in a designated preservation area may be purchased by a developer and transferred to a designated area where the equivalent amount of additional development can be constructed.
7. *Differential assessment* — assessment for property tax purposes based on the farm use rather than market value of the land. Three major types of differential assessments exist: 1) pure preferential assessment with full abatement; 2) deferred taxation with partial or no abatement and restrictive agreement; and 3) restrictive agreements under which a farmland owner contracts to retain his land in farm uses in return for a lower assessment.
8. *Development permit system* — requirement that a special permit (in addition to normal local zoning and building permits) be obtained for development from a designated state or regional agency.
9. *Right to farm* — legislation stating that local ordinances cannot be enacted that restrict normal farming practices which do not endanger public health or safety; providing farmers with some protection against private nuisance lawsuits.

When working with property that is impacted by community general plans, agricultural zoning, agricultural districting or a development permit system, it is imperative that one be well aware of the implications of each of these types of restrictions, so that their impact on the client's property can be properly measured. Usually if the farmland were adjacent to a city, it could be developed based on the timing whims of the owner, but these condi-

tions have changed. Today, irrespective of the property's location adjacent to a community, unless long-range planning shows eventual inclusion of this property into the “urban reserve” it may be many years before the farmland will grow anything other than crops. For many years California agricultural appraisers have joked that the best thing to raise on some of California's farmland was the price. This “crop” was often achieved by converting property into nonagricultural uses, which may not be as easy to accomplish in the future.

Controlled Versus Unlimited Growth

Many communities in the U.S. have either adopted or are considering controlled growth or growth management programs. This process involves identification of the land resources available for urban expansion within the community and the designation of a set number of dwelling units and a specific amount of commercial area that can be added each year. In communities where these programs and some form of agricultural protection regulation exist, the dividing line between urban and agricultural land becomes reasonably clear, at least until the end of this planning period.

Without this “dividing line” around the city, or some other line of demarcation between urban and agricultural uses, an “impermanence syndrome” emerges on close-in agricultural lands. This condition occurs on agricultural properties that are located between the urban and agricultural community. Owners observe a creeping urbanization toward their location. New urbanization brings with it increased residential densities along with more complaints from the homeowners to farmers about dust, pesticides, irrigation waters, noises and other everyday farm conditions. These aggravations, coupled with the realization that the property will one day be converted to nonagricultural uses, encourage a reduction of agricultural capital expenditures and an indifference toward efficient farming; if the use of the land will be changing, there is no real reason to repair the buildings, improve the drainage or irrigation systems or do other major maintenance work on the farm property. A state of interim use develops, and agricultural deterioration sets in.

As each city grows, the citizens and planners of that community have a responsibility to decide whether or not they wish to have unlimited or controlled growth and whether or not they have an interest in preserving agricultural lands. While some of the protective measures stem from national attitudes and the national interest, their actual implementation still occurs at the state or local level.

Real estate professionals, especially appraisers and counselors, should be familiar with the intent of the regulatory laws, recent judicial decisions from tests of these laws, exceptions to the rule of the particular ordinance enacting the law, and the long and short-term implications of these regulations on affected properties. Conditions are changing and it is critical to be both prepared and willing to evaluate the impact of these changes on real property.