Agricultural Consulting: Management of City Property

by William D. Davis, Jr., CRE

Overview

Our system of American government has grown in the belief that *government knows what's best* and rarely is there an opportunity for private firms to assist governmental institutions in specialized areas. This manuscript reports on a successful partnership between a Counselor of Real Estate and the City of Kansas City, Missouri, in the management of 7,000 acres of land held for future growth, use, and airfield protection at the Kansas City International (KCI) Airport.

Background

Over the past 50 years, farsighted local political leaders assembled 10,000 acres of land for the Kansas City International Airport in anticipation of airport and future industrial expansion and as the solution to future problems of noise and air pollution, and wildlife. An initial 3,000 acres were acquired in the early 1950s as the Kansas City Industrial Airport, primarily to accommodate the huge maintenance base of Trans World Airlines, (at that time, the second largest airline in the world by number of aircraft).

Twenty-five years later, passenger traffic was moved to the new location, state-of-the-art terminals were constructed, and KCI became the main passenger airport for Kansas City. Along the way, an additional 7,000 acres of farmland was acquired. In some instances, certain farmland areas were contracted by Aviation to the Conservation Reserve

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Program simply to produce revenue, while former owners or heirs of former owners continued to farm the cleared and crop areas on a modest cash-rental basis. Former pastures, roadways, and areas that were not maintained grew up with trees and brush and there was little concern as to soil erosion or land preservation. Airport officials, concerned with an immediate need for those lands (which was not the case), had very little concern for their improvement. Subsequently, there was absolutely no effort to improve those lands.

THE SELECTION PROCESS

In 1999, after an expression of governmental and citizen concern, airport officials, still wary, but spurred on by the chair of the City Council Aviation Committee who was committed to agriculture, developed a request for proposal for the professional management of the agricultural lands. An interview and selection process followed with the selection of the author's firm, Farm Management Associates, a management firm that had operated in the Kansas City area for over 70 years. This process extended over a seven-month period but eventually resulted in approval by the City Council. The proposal of Farm Management Associates was thorough, with recommendations based on a careful pre-inspection of the property and with a proposed land improvement budget for the foreseeable future. This eventually turned out to be very important in the continuation of the project.

INITIAL RECONNAISSANCE AND PLANNING

In its first step, the Farm Management firm walked the area, inventoried the quality of the soils, and did an extensive program of soil sampling so as to be aware of needed nutrients.

Of critical importance was the need to develop a protective strip for the control of wildlife that might invade the runways. This became the first responsibility.

Over the years, deer and flocks of birds on the runways have become a hazard to flying aircraft nationally, even disabling them. The purpose of the protective strips is to plant them to a crop which would deter wildlife. These strips are 2,000 feet from the center of the protected runway. The KCI Airport has two north/south runways and one east/west runway. The south end of the airport was already in grasses from a CRP program that had expired, so the objective was to put these grasses to a profitable use, but approximately four miles of a protective strip to the north/south runways had been recently cleared of timber and needed to be planted to brome before extreme erosion occurred. Also, deer are deterred by livestock so the objective was to develop these areas for livestock protection. As the first activity of the farm manager, a plan was laid out for the eventual agricultural use of these lands and a fall 1999 seeding of brome pasture was accomplished.

Of great importance to the success of the project was in finding farmers/operators who would do the best job of farming and, due to the rolling land, a water management/erosion control/ terracing program was considered essential. As many of the operators who had been farming the lands for several years were very competent farmers, as managers, it was our desire that they continue farming the property, as their experience with these lands eliminated a learning curve.

THE FARMING OPERATION

Previously, the 7,000 acres were farmed as 25 separate units. The farm managers then aligned the property into 13 productive units ranging from 400 to 800 acres in size. While most quality farm operators feel they need at least 1,000 acres per family to support their lifestyle, this program was designed to be supplementary rather than primary, so if the lands were needed for aviation purposes, this relinquishment would not cause irreparable hardship.

The land quality, even though rolling, proved to be some of the best quality upland in the state, the Higginsville Silt loam soils. Of great importance to the success of the project was in finding farmers/operators who would do the best job of farming and, due to the rolling land, a water management/erosion control/ terracing program was considered essential. As many of the operators who had been farming the lands for several years were very competent farmers, as managers, it was our desire that they continue farming the property, as their experience with these lands eliminated a learning curve. Some operators developed a militant stance citing assurances of airport officials up to 30 years ago that they could continue to farm the land. On previous

occasions, airport personnel had addressed all operators together, and several had voiced threats to the airport management.

As one of its first acts, the Farm Management firm made an appointment to personally meet with each operator at their home. While most were known by the farm managers, each operator was asked his or her ideas, a history of each operation was developed, and the attitude of each operator as well as their desire to continue on, was discussed. This was also viewed as a good time to retire if an operator was so inclined.

In a project that involves city lands, it is important that each is treated on an equal opportunity basis; this generally involves women and minorities. As it is very unusual for women and minorities to farm, this was considered a potential problem. A request for proposal was written for farm operators with a special emphasis to attract women and minorities. There was an excellent response from a variety of highly respected and qualified farmers, both in and outside the area, who became genuinely interested after they learned that a farm manager had been hired and the city was serious in handling the lands. The request for proposal asked each operator to propose on as many of the 13 units as they desired, including a unit for buffalo, proposing a cash rental arrangement, and an arrangement based on 50/50 crop share, which is the typical crop share arrangement in the area. They were also asked to list their availability and quality of equipment, level of education, and references. (The buffalo unit was later vetoed by the airport director.)

As previously described, two of the units were reserved for livestock and the planting of grass, (as a protective strip for the airport runways), and third, there was a primarily livestock unit. Many of the airports in the nation have been invaded by various birds and wild animals, that in some instances have severely damaged aircraft, becoming a problem as to passenger safety. It was the responsibility of the farm manager to provide for the operation and management of these protective strips.

For the operation of the various farming units, over 30 responses were received for the 13 units. Each of these responses was studied in detail by both farm management and airport personnel. A letter was sent to references for a response, and based on the proposals and references, a group of prospective operators was developed for further study. For those selected, the farm manager made an inspection of each property they owned and/or rented in order to see the general condition of maintenance of the property and the overall cosmetic appearance. The cosmetic requirements for maintenance at KCI are much higher than a typical farming operation. This was reported back to the farm management committee and a decision was made as to which operators were preferred for each of the units. There were also requirements that each operator provide a letter from their city's department of finance verifying that nothing was owed and further stating that they met the hiring requirements of the city's human resources department.

CROP LAND RENTAL LEVELS

In this area, based on the farm managers' experiences, good agricultural crop land will provide an annual net operating income from $60 to $100 per acre per year for the landlord (the City).

From a management standpoint, crop share is generally the fairest to both the operator and the landlord, however, the cash rental proposals for the better laying land were in some instances much higher than $60 per acre. Further, under crop share, the city had considerable risk as to their ability to profit from the LDP (Loan Deficiency Payment) Program of the United States Department of Agriculture. This was a major problem because in the 2000 crop year, corn and soybean prices were typically far below the support level. At the time of negotiating rentals, there was a $50,000 limit for each owner or operator (later raised to $100,000). In the state of Missouri, all governments were considered as one single unit and this was apportioned out on a first-come/first-serve basis. As managers, we preferred the crop share arrangement, as this is where we could have greater impact. This was a major income risk to our client (the City), involving about 20 percent of their potential income. This resulted in about 60 percent of the land continuing on a cash rental basis. The remaining 40 percent of the land was leased on a crop share basis. The result was very positive because in hedging our bet and limiting crop share, all of the city's share of production qualified for the LDP.

CROP PLANNING

Each operator selected was asked to meet personally with the farm managers and airport personnel. In these meetings, the cropping program was laid out on all lands — only corn and soybeans could be grown because smaller grains would attract birds. The farm manager voiced his expectations as to required soil conservation measures (nearly all was

no till-farming) and the cosmetic appearance of the farms. As this is city property, there was considerable expectation as to appearance.

IMPLEMENTATION OF THE PLAN

The expectations of the farm managers for land improvements were laid out and final plans were developed. These plans followed the initial recommendations of the City Council and the budget it was based on. As farm managers, we asked that the expected farm earnings in the area of $250,000 per year, be made available for improvements. A considerable part of the plan was to attract operators who would be part of a "team." The plan was very successful in that area. Many of the operators expressed their desire to smooth out ditches in rolling land, build gates for security, and other concerns that they foresaw as they prepared their tracts for planting.

As a result, several operators, at their own cost, brought in their heavy equipment to create more efficient farming units. As was the intent of the farm manager, this immediately created a competitive atmosphere among the operators as to who could do the best job of farming.

The fencing program got underway by issuing a request for proposal for fencing and an outstanding fence builder was hired. There was considerable delay in deciding on the style of fencing, as this style would be followed for many years. Virtually everyone had a different idea. As farm managers, we found that nearly everyone who had seen a fence knew how to build one, better than we did, and all were free in sharing their opinions. Aviation personnel in decision-making positions, had absolutely no feel for fencing and were concerned for their reputations if it turned out to be a poor fence. In the end, the style of the fence was as the fence builder and farm manager had designed.

The next major task was brush removal along the city streets and roadways so that the area started to again look like farming units. Further, the brush needed to be removed so farmers could bring in their large equipment. To date, three contracts have been let for the clearing of the north/south streets through the farming area and cosmetically it looks like farming is finally occurring.

CROP PRODUCTIVITY

In Missouri, the cropping season starts in May/June and ends with the completion of harvesting in October/November. The productivity of crops is highly dependent on planting date, seed quality, fertilization practices, the herbicide, and the weather, with the area of no control obviously being the weather. For the 2000 crop year, the weather was almost perfect for two-thirds of the cropping season. This resulted in top yields for corn (155 bushels per acre, which is high in that area), as corn is typically planted early, but modest yields for soybeans which are typically planted later and were caught up in the drought. As the crop share land was the most rolling of the airport lands, they were all planted with soybeans. Even at that, the net income to the city was as high as $129 per acre, over four times that of previous rentals.

A major lesson that has been learned is, that irregardless of the expertise of the counselor, a problem cannot be solved unless there is respect and cooperation with the level of government overseeing the program.

CONCLUSION

In conclusion, the management of the lands at the Kansas City International Airport has been highly successful due to the application of the expertise of the real estate counselor in solving a program not understood by government or with government wishing it would just go away. Revenues have increased substantially, nearly three times the $100,000 formerly. Reclamation and land preservation programs are underway, and levels of wildlife near the airport operations area have been greatly reduced.

A major lesson that has been learned is, that irregardless of the expertise of the counselor, a problem cannot be solved unless there is respect and cooperation with the level of government overseeing the program. The program could not have been successful except for the great assistance and support of the city official and the engineer that we worked with directly. Typically, the generations now running airports have no feel for agriculture. Fortunately, the people we work directly with, have the respect of their peers and have been able to express the program to their bosses who are totally unfamiliar with agriculture and who are frequently bombarded with airport field personnel who are ever so critical. To these people, we give our thanks for the success of this program. REI