Regional Foodlands Access Program

Feasibility Study and Business Case

Prepared by Upland Agricultural Consulting Ltd for the CRD

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ACRONYMS

ALC	Agricultural Land Commission
ALR	Agricultural Land Reserve
BC	British Columbia
BCA	BC Assessment
CAC	Community Amenity Contribution
COCS	Cost of Community Services
CRA	Canada Revenue Agency
CRD	Capital Regional District
CRFAIR	Capital Region Food and Agriculture Initiatives Roundtable
FTE	Full-time equivalent
GCL	Garden City Lands
KPU	Kwantlen Polytechnic University
NGO	Non-governmental organization
PAC	Program Advisory Committee
RFAS	Regional Food and Agriculture Strategy
TLC	The Land Conservancy
UBC	University of British Columbia

CONVERSION UNITS

1 acre = 0.40 hectares
1 hectare = .47 acres

*While both area units are used in this report, acres are used primarily within the discussion of lease rates.

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EXECUTIVE SUMMARY

Over the last 10 years, four municipalities and many community stakeholders have supported an increase in access to farmland in the Capital Regional District (CRD). The support is due in large part to the high cost of farmland. This report explores the rationale and financial summary for options that would allow local government to increase foodlands access.

Rationale for Foodlands Access

The Agricultural Land Reserve (ALR) totals just over 16,000 ha and represents only 7%[1] of the CRD's area. The region's population is expected to increase by 27% by 2038[2], which will put significant pressure on foodlands. Meanwhile, the CRD's 2018 Regional Growth Strategy includes a target to increase productive foodlands by 5,000 ha by 2038[3]. The ALR has helped stem the loss of farmland, but there is a need for further action to ensure that farmland is used for its intended purpose.

Farmland Productivity

Only 50% of the CRD's ALR is in production[4]. The underutilization of farmland, both now and in the future, is a lost regional opportunity. With over 50% of the region's farmers retiring in the next 10 years, there is concern that new farmers will not be able to afford to enter the sector to replace them. ALR landowners who do not farm, but lease their property to other farmers, can obtain the benefits of farm class status with low levels of production. Landowners with less than 25% of their property being farmed demonstrate little interest in making it more productive[5].

Cost of Foodlands

Vancouver Island has had the greatest increase in farmland value in BC, where it currently sells for up to $100,000 per acre, an increase of nearly 25%[6] over two years[7]. The high cost of land is a barrier not only to new farmers, but also to those wishing to expand their business. This is due in part to agricultural lands being purchased by non-farmers and held with low risk for speculative purposes [8,9].

Implications for the Farm Community

Local farmers are not concerned about competition from a regional foodlands access program because:

- The cost of land is rising fast and they were able to buy or lease land for lower prices years ago.
- New farms and farmers are not immediately profitable – it will take years of improvements and experience to become competitive.
- Land trust lease rates would be in line with rates offered on private land.
- Existing farmers would like to mentor new farmers.
- There is an unmet demand for local food.
- There is a need for a new generation of farmers in the region to fill leadership roles in farmers' institutes and 4-H clubs.

Foodland Access Tools

There are seven land access tools assessed in this report. They represent opportunities that various levels of government and non-governmental organizations (NGOs) can employ. The seven tools are:

1. Land trusts
2. Land banks
3. Land connecting services
4. Incubator farms
5. Farm tax policies
6. Farmland ownership restrictions
7. Regulation of farm leases

These tools range in their applicability based on:

- Relative Cost: amount of sustained support required.
- Lead Agency: organizational leadership required.
- Time frame: short (1–3 years), medium (3–5 years), or long (>5 years).
- Level of Effort: local government capacity.
- Level of Impact: relative amount of land and/or farmers that benefit.

1. Agriculture in Brief: CRD 2016. Census Agriculture Data.
2. The "Policy Discussion Paper #1: Role of Local Government in Promoting Farmlands and Farm Viability" by CRFAIR, provides in-depth justification for why food security and building local food production capacity are in the public interest for local governments to address.
3. The "Policy Discussion Paper #1: Role of Local Government in Promoting Farmlands and Farm Viability" by CRFAIR, provides in-depth justification for why food security and building local food production capacity are in the public interest for local governments to address.
4. BC Ministry of Agriculture, 2016. Agriculture in Brief, Census of Agriculture, BC Provincial Profile.
5. ALR Landowner Survey. Prepared for Metro Vancouver by Ipsos Reid. 2013.
6. Farm Credit Canada, 2018. 2017 FCC Farmland Values Report. Covering the period from January 1 to December 31, 2017.
7. Ibid.
8. Curran, D., & Stobbe, T., 2010. Local government policy options to protect agricultural land and improve the viability of farming in Metro Vancouver.
9. Farm Credit Canada, 2018. 2017 FCC Farmland Values Report. Covering the period from January 1 to December 31, 2017.

Table i (below) provides a ranking of each tool, in terms of how useful it is for the CRD.

Although land connecting services (e.g. Young Agrarians) require a lower level of funding from local governments than a land trust or land bank10, the overall level of impact is also lower. Land matching takes time, and results are difficult to track. The BC Government has recently taken on a more direct role in land connecting services by providing a financial contribution to Young Agrarians[11].

Land Trust vs. Land Bank

The land trust and land bank ranked as the first and second-best tools available for local governments, respectively. While land trusts and land banks are operationally similar, a trust will functionally achieve the objectives for long term land access in a way that a land bank would not. While land banks may work well for other initiatives, such as parks programs, they do not achieve the same outcomes for farmland access programs. This is in part because the Canada Revenue Agency has a specific program for gifting ecologically sensitive land with associated tax credits, but there is no similar program for agricultural lands[12]. A trust model that would protect farmland in perpetuity offers an additional motivation and benefit for land donees over and above minimal tax credits.

It is recommended that a farmland trust program initially target existing lands that are municipally-owned, thus reducing the need to acquire private lands. A trust also allows for a greater sense of security for the farmer, and better achieves the goal of providing long term leases for the purposes of agricultural production. The trust approach therefore provides the best benefits for foodlands access.

Provincial Government Role

A farmland trust was previously undertaken by the provincial government in the 1970s alongside the adoption of the ALR. This program has since ended without a replacement. There are several lessons to be learned from the province's experiences, and these are taken to heart in this report.

One of the most important takeaways was that housing within the land trust caused problems whenever a trust property was transferred from one lessee to another. For this reason, it is not recommended that a regional foodlands trust include a residential component. Farmers will be expected to reside elsewhere. A regional foodlands trust would therefore not meet the needs of all farmers. However, along with other existing programs, such as land connecting services, it will remain an important piece of the overall land access solution.

Other experiences from the provincial initiative indicate that a Program Advisory Committee (PAC) should be established to oversee decision-making, including a transparent process to determine farmer membership.

Local Government and NGO Roles

Regional problems require innovative regional solutions. It is recommended that a partnership be struck between the CRD and one or several NGOs (e.g. Farmlands Trust Society (Greater Victoria), Sooke Region Farmland Trust Society, and/or the Foodlands Cooperative of BC) for the effective delivery of the foodlands trust.

By partnering with an NGO (hybrid model), greater opportunities for program grant funding will be possible. However, a base of financial support is required from the CRD, otherwise the trust

TABLE I. Summary of Foodlands Access Tools and their Potential Level of Impact

RANK	TOOL	RELATIVE COST	LEAD AGENCY	TIMEFRAME	LEVEL OF EFFORT	LEVEL OF IMPACT
1	Land trusts	High	Local govt and/or NGOs	Short (1 to 3 years)	Easy	High
2	Land banks	Medium-High	Local govt and/or NGOs	Short (1 to 3 years)	Easy	High
3	Land connecting	Medium-Low	NGOs	Short (1 to 3 years)	Easy	Low
4	Incubator farms	Medium	NGOs and/or academic institutes	Medium (3 to 5 years)	Challenging	Moderate
5	Farm tax policies	Low	Federal and/or provincial govt	Medium (3 to 5 years)	Difficult	High
6	Restrictions on farmland ownership	Medium	Provincial govt	Medium (5 years)	Difficult	High
7	Regulation on farm leases	Low	Provincial govt	Medium (3 to 5 years)	Difficult	Low

*Green indicates good candidate as a tool for local governments; yellow indicates a possible tool to be used within a broader strategy; orange indicates a limited ability for local governments to use the tool.

<?>. Young Agrarians estimates an annual budgeting requirement of approximately $70,000 to fund a regional Land Matchmaker program in Metro Vancouver. Less than 10 matches have been made since 2016. Individual municipalities are approached for funding assistance at the $5,000-$10,000 level. A similar level of funding would be sought within the CRD. Source: S. Dent, personal communication.

11. Ministry of Agriculture commits $300,000 to help BC farmers obtain land.
12. Canada Revenue Agency, 2017. Gifts and Income Tax. P113(E). Rev.17

would be placed in a vulnerable position over the long run. A hybrid model would ensure that the CRD's role in the trust remains limited to policy development, property and lease management, and overall administration (e.g., overseeing the legal aspects of the land trust, coordinating land use agreements with municipalities for publically-owned parcels, and providing a meeting space for the PAC).

The NGO would take control of the operational needs (e.g., employing a full time Program Manager and a part time Farm Caretaker, and oversee the administration of the PAC). A regional approach will present significant cost efficiencies over and above the alternative option of several municipalities embarking on their own land trust initiatives. Local governments could remain involved as the owners of public land included in a regional trust and could retain control of infrastructure, such as drainage.

Community Partnerships

A foodlands trust provides an opportunity to work with First Nations to restore traditional food practices and integrate Indigenous food production values into the program. Academic partnerships are also key. Education and research goals can be built into the program. Potential academic partners include the University of Victoria, Royal Roads University, and Camosun College.

Program Costs and Revenues

There are two types of revenues and costs associated with a foodlands trust program: variable and fixed. It is important to note that the cost of land is not included in these calculations. This is because it is anticipated that existing public lands capable of sustaining agriculture would form the basis of a farmland trust.

Variable costs and revenues are those contingent on the characteristics of the site(s) selected. These include the costs associated with infrastructure needs and potential revenues through farm lease income. They are variable because the site(s) will be unique relative to their size, soil quality, existing fencing, access to water, surface drainage, etc.

Variable Costs: Basic infrastructure includes fencing, irrigation, and drainage. The costs associated with a typical site would range from $1,950 per acre to $6,450 per acre (with an average of approximately $3,000 per acre) for the first year of site preparation, depending the level of existing services. Some of these costs can be shared with municipalities and a portion will be able to be compensated for when the lease is transferred to the next lessee and a higher lease rate can be charged to better reflect the servicing improvements.

Variable Revenue Sources:

- Lease rates will be in line with those currently paid by farmers in the region. They will range from $100/acre/year to $800/acre/year, depending on soil quality and type of agricultural activities, as arranged through the lease agreements. These lease rates will not include housing. A residential component of the land trust is not recommended.
- Grant applications are expected to be most successful at the start of the initiative and will help cover the establishment costs. These are expected to bring in approximately $40,000/year.
- Donations are most likely to be used for equipment or land. As noted, it is anticipated that existing public lands capable of sustaining agriculture would be used to launch the farmland trust. Any additional land donations would need to be accepted by a charitable organization. Municipalities are qualified donees under the Canada Revenue Agency's Gifts Program.
- Corporate sponsorships could be provided for equipment or for specific programming. These are more likely to be successful in the initial establishment phase (Year 1).
- Depending on the zoning of the land in question, hosting events on site may be a revenue source. Fees could be charged for the use of the space and/or any equipment or infrastructure.
- In-kind contributions could be provided by hosting a website, advertising, supplying meeting-room space, and covering other overhead costs. This support could be provided by the local government and/or community partners.

Fixed Costs: These are associated with the program itself, not the land, and include operational needs, such as staff time, insurance, marketing, equipment, etc. Fixed costs, by their very nature, are less challenging to estimate and do not tend to fluctuate based on the land parcels incorporated in the program. The estimates for operational costs are broken into "establishment" (the cost to

get the program up and running during Year 1) and "ongoing" (annual costs incurred in Year 2 and beyond). They include legal and professional costs (e.g. to establish the trust), staffing needs, equipment, marketing & promotion, and insurance.

Establishment costs (Year 1):

- Staff salaries and legal fees: $70,000
- Equipment (purchase): $40,000
- Marketing and promotion: $5,000
- Insurance: $4,000

Total establishment costs: $119,000

Ongoing (Year 2 and beyond):

- Staff salaries: $170,000
- Equipment (maintenance): $10,000
- Marketing and promotion: $6,000
- Insurance: $4,000

Total ongoing costs: $190,000

Land taxes are not included in fixed costs. This is because it is anticipated that local government lands will be used for the land trust, currently the municipality pays taxes for those lands, and therefore no new additional taxes are expected. In fact, if land is brought into production existing land taxes may decrease.

Fixed Revenues: The program is not a revenue-generating initiative, however a long term funding commitment by local government, if offered, could be considered as a fixed revenue. Fixed revenue is therefore the amount of funding that would be sought from local governments on an annual basis.

Revenues and Costs: 3 Scenarios

In order to further illustrate how site selection impacts the overall budget of the foodlands access program, three scenarios are provided to show the estimated expenses and revenues associated with:

1. 5 acres of vegetable production
2. 20 acres of hay production
3. 80 acres of mixed production

The associated variable costs, fixed costs, and variable revenues (including lease income) are presented in the following Tables ii - iv. Details regarding all estimates are provided in section 6 of the full report. The biggest discrepancies in the scenarios relate to infrastructure investments, which vary based on the needs associated with individual land parcels.

Beginning in Year 2, each production system would incur lease income at the following rates: $4,000/year for 5 acres of vegetables, $2,000/year for 20 acres of hay, or $20,000/year for 80 acres of mixed production.

TABLE II. Estimated net income (deficit): 5 acres of vegetable

	Variable Costs	Fixed Costs	Variable Revenues	Net Income or Deficit
Year 1	$15,000	$119,000	$275,000	$141,000
Year 2	$7,500	$190,000	$66,500	$10,000
Year 3	$4,000	$190,000	$66,500	(-$117,500)
Year 4	$4,000	$190,000	$66,500	(-$127,500)
Year 5	$4,000	$190,000	$66,500	**(-$127,500)**

TABLE III. Estimated net income (deficit): 20 acres of hay

	Variable Costs	Fixed Costs	Variable Revenues	Net Income or Deficit
Year 1	$40,000	$119,000	$275,000	$116,000
Year 2	$15,000	$190,000	$64,500	(-$24,500)
Year 3	$7,000	$190,000	$64,500	(-$132,500)
Year 4	$7,000	$190,000	$64,500	(-$132,500)
Year 5	$7,000	$190,000	$64,500	**(-$132,500)**

TABLE IV. Estimated net income (deficit): 80 acres mixed-use

	Variable Costs	Fixed Costs	Variable Revenues	Net Income or Deficit
Year 1	$140,000	$119,000	$275,000	$16,000
Year 2	$56,000	$190,000	$82,500	(-$147,500)
Year 3	$36,000	$190,000	$82,500	(-$143,500)
Year 4	$36,000	$190,000	$82,500	(-$143,500)
Year 5	$36,000	$190,000	$82,500	**(-$143,500)**

The calculations are predicated on the assumption that, once established, the program will be able to raise approximately $60,000 per year by partnering with an NGO for grants, donations, sponsorships, user fees, and in-kind support.

As the scenarios indicate, once the program stabilizes at the end of Year 3, the anticipated program costs (which are equivalent to the net deficit) range from approximately $127,500 per year to $143,500 per year. Providing funds to cover this deficit could be considered as a form of regional investment, whereby the funds are being re-invested into the protection of natural asset services and into the development of community partnerships for greater food security.

Overall Financial Summary

Most people place high value on living near farming areas[13], however the community benefits of foodlands are often excluded from policy decisions. Many natural asset services, such as nutrient cycling, carbon sequestration, water filtration, and pollination, are supported by farming. In the CRD, the value of these natural assets on agricultural land are estimated at over $11 million per year[14]. Farmland is also a net contributor to the tax base, even when taxed at a lower valuation[15].

13.. Robbins, M., Olewiler, N., and M. Robinson. 2009. An Estimate of the Public Amenity Benefits and Ecological Goods provided by Farmland in Metro Vancouver, 2009.

14. Wilson, S. J. Natural Capital in BC's Lower Mainland: Valuing the Benefits from Nature. 2010. Natural Capital Research & Consulting for the David Suzuki Foundation.

15. Red Deer County Cost of Community Services Report, 2004. Miistakis Institute, Red Deer County, and Alberta Real Estate Foundation.

Other potential farmland projects in the region, such as Sandown in North Saanich, are proposing to operate on a revenue neutral (or income generating) model. This is not the case for the foodlands trust. The scope of the trust is to address regional land access and production needs, while the goal of Sandown is to create and grow value-added agri-businesses. Furthermore, the Sandown model is built on the premise of receiving tax revenue from a commercial property, thereby creating a subsidy.

To be clear, a foodlands trust program will require sustained financial support over the long term. If a trust was a potentially independently viable endeavour, it is very likely that it would have been already initiated by a private sector enterprise. Committing financial support to a foodlands trust provides investment in the community, which is one of the clearest benefits.

The trust will result in:

- Improved regional food security
- Partnerships with First Nations
- Preservation of natural asset services
- Job creation and spin-off enterprises
- Stimulation of support sector businesses
- Increased agri-tourism opportunities
- New education and learning programs
- Protection of undeveloped green space
- Reduced need for ongoing maintenance (such as mowing, ditches, fence repairs).

In order to maintain the value of natural asset services associated with greenspace (including foodlands) in the CRD, a net input of resources is already being invested by local government. By increasing this level of support incrementally, land use can be opened up to provide a much wider extent of community benefits.

The application of a household levy was calculated to determine if it could be applied as a possible tool to help fund the foodlands trust. The results indicate that the levy would be relatively low. For example, a level of $127,500/year of funding would require a levy of:

- $0.70 per household/year for all areas of the CRD
- $0.76 per household/year for all areas of the CRD except the Southern Gulf Islands and Salt Spring Island; or
- $1.91 per household/year for North Saanich, Central Saanich, Sidney, and Saanich.

This levy could be viewed as an investment in the natural asset services of the region, as well as providing an indication of support for cultivating Indigenous food system projects with First Nation partners, and providing support for regional food security.

Timing

Since 2009, significant work has created momentum towards a regional foodlands trust. The District of Saanich, District of Central Saanich, Town of Sidney, and District of North Saanich have all contributed letters of support. North Saanich has also indicated support for an accompanying farmland acquisition fund. Saanich has recently contemplated initiating its own farmland trust. In the meantime, the price of farmland continues to rise. Now would be an ideal time for the CRD to implement a foodlands trust, to coordinate individual initiatives and start the access program before land becomes even more expensive.

Conclusion

This report provides a set of financial projections based on a robust yet conservative analysis for the implementation of a regional farmland trust. Recommendations include:

- Target existing public lands to be used for the trust, in order to minimize the need for land acquisition.
- Have the CRD take on a lead role with support for operational tasks and fundraising by NGOs.
- Establish a Program Advisory Committee and hire a Program Manager and Farm Caretaker.
- Work with First Nations, academic agencies, and other stakeholders to ensure partnership benefits.
- Explore the possibility of funding program through a household levy.

These recommendations align with the CRD's goals as set forth in the Regional Food and Agriculture Strategy and the 2015-2018 Board Priorities. The establishment of a foodlands trust will advance progress on Regional Growth Strategy goals and make good on previous indications of commitment and support for establishing a foodlands access program. This report provides the rationale and implementation strategy needed to establish the trust as efficiently as possible while ensuring that it achieves the maximum benefits for all community members. ■