ARP participant and farmer Jason Dawley harvesting corn - Fall 2025

Agricultural Reserve Program
Fiscal Year 2025 Report

CITY OF VIRGINIA BEACH VIRGINIA
LANDMARKS OF OUR NATION'S BEGINNING

"Preserving agriculture, one farm at a time"

Overview

The Department of Agriculture provides leadership, coordination, and education to enhance the economic vitality of the City's agricultural industry and the preservation and enhancement of its quality physical environment, and it also assists citizens in strengthening their families and provides citizens and visitors with cultural and recreational opportunities by preserving our agricultural and rural heritage.

The Department of Agriculture also contains the offices of the local Virginia Cooperative Extension as well as the Virginia Dare Soil and Water Conservation District.

The City of Virginia Beach Agricultural Advisory Commission was established by City Council in August 1994 to be a liaison between the rural community and the City Council. The five-member commission meets quarterly to discuss important issues and items of concern for the rural community and the agricultural industry. The commission is also given updates on the status of Agricultural Reserve Program applications at every meeting as well as other activities of the department and its partnering agencies.

Members of the Agricultural Advisory Commission

City Council Liaison

Barbara Henley

Commission Members

John Cromwell, Chair
Brandon "Ryan" Horsley, Vice Chair
Betsy Newman Morris, Secretary
Jason Dawley
Ryan Dudley

Agricultural Reserve Program

The City of Virginia Beach enacted the Agricultural Lands Preservation Ordinance and the Virginia Beach Agricultural Reserve Program (ARP) on May 9, 1995. The program was designed and promoted by a coalition of farm, conservation, business, and civic interests. There was common concern for resource and growth management, as well as preservation of agri-business and a balanced tax base. Virginia Beach's program is very successful and is one of the leading programs in the Commonwealth. The program is recognized at both the state and national level for conserving our natural resources, protecting the rural character and heritage of southern Virginia Beach, and preserving the agriculture land base of the City's third largest industry.

The current acreage in the ARP is now over 11,129 acres, with an annual goal of 300 acres enrolled. Program growth is based on three factors:

- Continued growth and stability of the agriculture industry,
- Continued emphasis on controlling development in the southern part of the City,
- Continued interest in protecting greenspace, environment, natural habitats and addressing issues related to recurring flooding.

Funding for ARP

The ARP is one of the best funded programs in the Commonwealth. Funding for the ARP is provided through a dedicated portion of the real estate tax that is collected annually. During FY 2025, the total appropriations were approximately $7,055,689.73. Of this revenue stream, $2,061,168.23 was paid in interest payments to our current participants. The remaining funds from the annual revenue stream are used for new acquisitions as well as office operating costs. Through an agreement with City Council, an additional $990,000 annually is allocated to stormwater management and flood prevention projects in the southern watershed.

The Virginia Department of Agriculture and Consumer Services (VDACS), through their Office of Farmland Preservation, have provided grant funding to localities to further their efforts in purchasing development rights from agricultural landowners. Funding was first allocated to certified programs across the state in 2008. Since then, City Council has approved seventeen Intergovernmental Agreements with VDACS. The Agriculture Department maintains ongoing agreements with VDACS to ensure we are fully able to leverage local funds. To date, the City has utilized a total of $1,819,431.41 in reimbursement funding from VDACS on closed properties. The reimbursements have helped offset the City's initial easement acquisition expenses, thus making additional funds available for future ARP closings.

The General Assembly transferred the duties from the Department of Agriculture and Consumer Services ("VDACS") to the Virginia Department of Forestry, ("VDOF"), and established the Virginia Farmland and Forestland Preservation Fund within the State Treasury. VDOF offers local programs a matching grant through the Office of Working Lands Preservation (OWL). Based on available state funding of $239,028.00, the City of Virginia Beach was approved to receive matching funds of $73,628.57, although no funds were utilized for closings in FY 2025. This funding can be applied to qualified applications in FY 2026.

The City uses a 25-year Installment Purchase Agreement (IPA) to compensate landowners for their easement value. To fund the principal purchase price, the City purchases U.S. Treasury Separate Trading of Registered Interest and Principal Securities (STRIPS) that will mature in 25 years. By doing this, the city can leverage its dollars invested over the 25-year payment plan. Initial costs to purchase the U.S. Treasury STRIPS for the closing in FY 2025 were approximately 30.4 cents on the dollar. Semi-annual interest payments are made to landowners in June and December each year. The installment purchase agreements allow more property to be purchased over time compared to cash closings. In addition, the landowners receive a tax-free income stream of interest payments during the 25-year payment plan. The principal payment that is paid in full at the end of the payment plan is subject to capital gains just like any other real estate transaction. After the final interest and principal payments are made, the acreage enrolled in the ARP remains protected in perpetuity.

ARP Principal Payments

Our early participants began receiving their final payments of principal in February of 2022. Final payments of the principal amounts for maturing Installment Purchase Agreements for the 2025 fiscal year totaled $2,442,859, thus retiring a portion of the City's debt. Payments are financed by the maturing T-STRIPs purchased at the time of enrollment in the program. The following table lists those clients that received their final payments.

Payment of ARP Principal in FY 2025

Clients	Amount
Heirs of Luther Gilbert	$443,813
DOK West, LC & CLK Company	$1,999,046
Total	**$2,442,859**

Interest Rates for the ARP

The final interest rate for an ARP easement is determined a few days prior to a closing. The City bids the purchase of the U.S. Treasury STRIPS (Separate Trading of Registered Interest and Principal Securities) to obtain the best buy-in price as well as interest rate. A higher interest rate yields a lower buy-in rate for the City since the higher rate will accrue more interest on the initial investment over time to fund the principal payment. In comparison, a lower interest rate requires a higher buy-in rate to yield the same amount of principal. Once the purchase is made, the interest rate is locked in for the 25-year payment plan. To see how the interest rate market is performing on the U.S. Treasury STRIPS, staff monitor the Wall Street Journal's website where rates are posted for each business day. These rates are based on a $1,000,000 transaction. The website provides an indicator of what the market is doing day to day. When actual bids are placed for a closing, some variance is seen based on the amount of the transaction and the local market.

The following figure shows interest rates for the U.S. Treasury STRIPS purchased on closings during FY 2025. Trends in the market reported by one source Bloomberg, demonstrate a drop to below 4.5% in October with highs of over 5.1% seen in January and June. Interest rates continued to remain steady, hovering above 5%, which made the Agricultural Reserve Program an especially appealing investment option. These stable rates offer reliable returns, adding to the program's attractiveness for rural landowners.

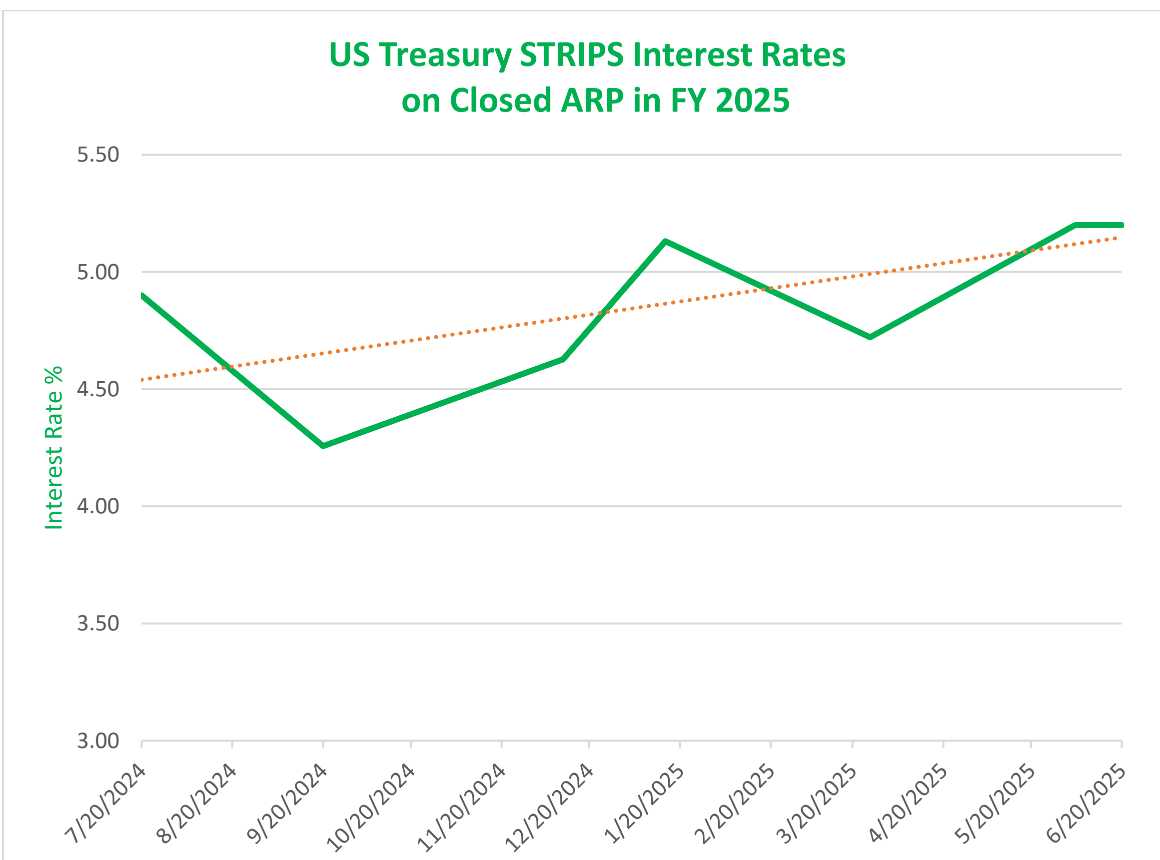

Figure 1 U.S Treasury STRIPS Interest Rates for July 2024 – June 2025

Figure 2 below depicts interest rates for all closings in the ARP from the beginning in 1997 through the current fiscal year, 2025. The highest interest rate paid in the program's history was associated with a closing that occurred in April 1997 at 7.33%. In contrast, the lowest interest rate paid of 2.366% was associated with a closing in April 2021.

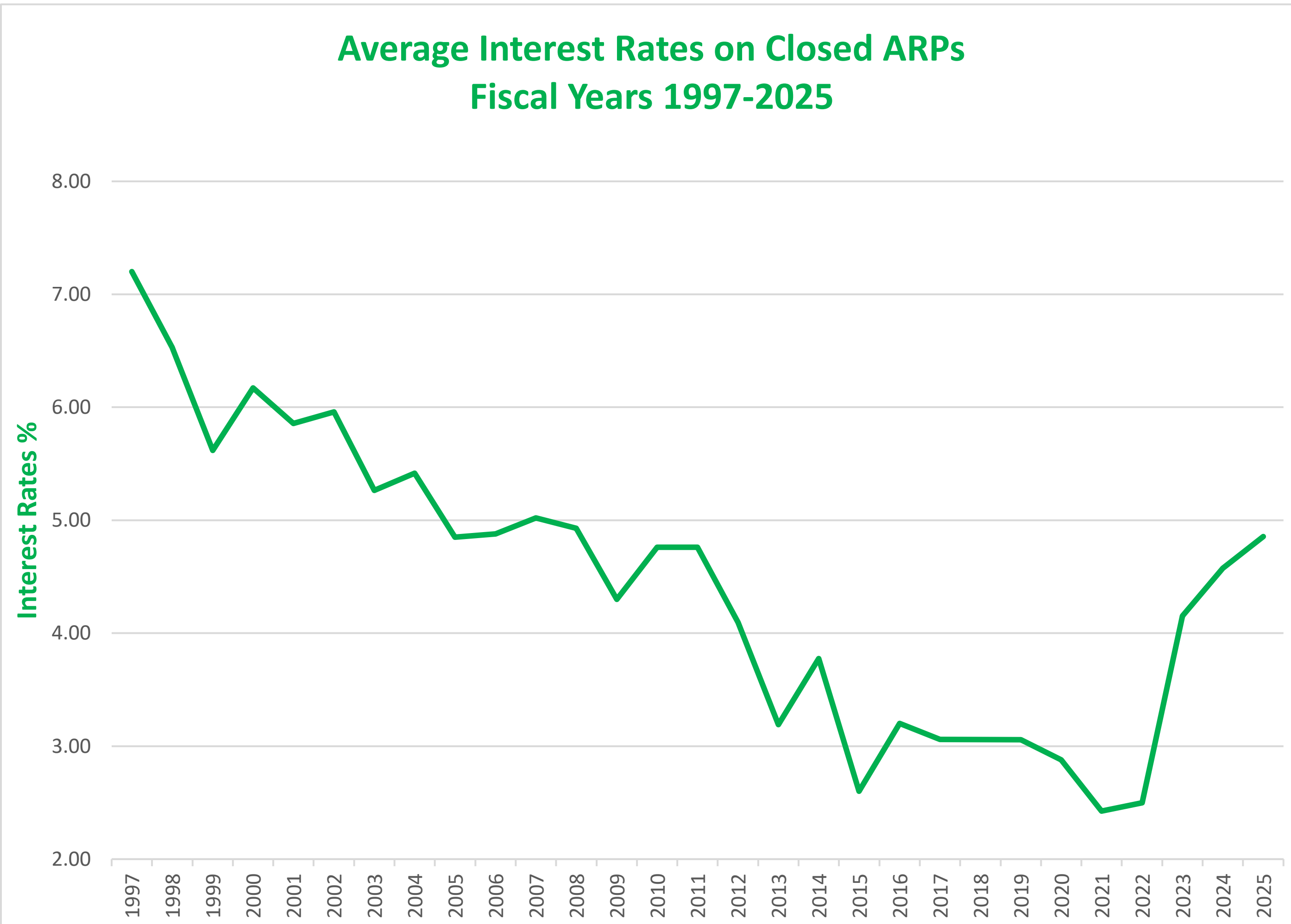

Figure 2 T- STRIPS Average Interest Rates FY 1997 - 2025

Enrollments in the ARP

In FY 2025, six applications containing 467.32 acres were enrolled into the ARP. The closing date, acres enrolled, number of development rights acquired, interest rate, and purchase price are listed in the table below:

New ARP Properties Enrolled During Fiscal Year 2025

Applicant Name & Location of Property	*Closing Date*	*Acres Enrolled*	*Development Rights Acquired*	*Interest Rate*	*Easement Value*
DŝĐŚĂĞů ŶĚ dĂďŝƚŚĂ ZŽŵĂŶ 3645 Muddy Creek Road	9/20/2024	57.70	4	4.2570%	$905,890
sĞŶĂďůĞ ZĞĂů ƐƚĂƚĞ >W 3141 Land of Promise Road	12/11/2024	66.79	10	4.6268%	$514,283
ĂIŝĚ ,ĞĂĨŶĞƌ :ƌ͘ 1368 Pleasant Ridge Road	1/15/2025	152.96	5	5.1310%	$1,171,582
'ŝůďĞƌƚ &ĂƌŵƐ͕ >> 5700 Block of Blackwater Road	3/26/2025	100.36	19	4.8617%	$772,772
ŽŶŶĞůů ƌŝőŚƚ 200 Block of Princess Anne Road	6/4/2025	36.17	5	5.2000%	$570,224
ŽŶŶĞůů ƌŝőŚƚ 300 Block of Princess Anne Road	6/4/2025	53.34	3	5.2000%	$709,148
dKd >^		**ϰϲϳ͘ϯϮ**	**ϰϲ**		**Ψϰ͕ϲϰϯ͕ϴϵϵ**

Even though the above closings represent an easement value of $4,643,899, the actual cost to the City for the U.S. Treasury STRIPS to fund the purchase price of the easements above was $1,411,985.74. The cost of the U.S. Treasury STRIPS was approximately 30.4 cents on the dollar.

Enrollments in ARP from FY 1997 through FY 2025

The graph below shows the cumulative number of acres that have been enrolled by fiscal year in the
history of the program. The greatest number of enrollments in one year was seen in FY 1998 shortly after the program was adopted. This past year, six applications, comprised of 9 parcels closed representing a total of 467.32 acres and forty-six development rights entered the program, for a total of 11,129.31 acres protected.

The ARP is a voluntary program, and many factors can influence a landowner's decision to enroll his or her property. The purchase price of the easement and the current interest rates are sometimes the most discussed factors with staff. We did have some offers that were declined and some applications that were ineligible this past year. The rise in interest rates has generated renewed interest in the program and we have several applications in the queue.

Year	Acres Enrolled
1997	835.32
1998	2,692.90
1999	480.92
2000	499.46
2001	924.35
2002	585.47
2003	586.72
2004	206.22
2005	213.57
2006	53.81
2007	165.59
2008	246.44
2009	428.07
2010	173.21
2011	739.61
2012	47.21
2013	321.62
2014	23.12
2015	42.26
2016	50.47
2017	405.90
2018	0.00
2019	151.43
2020	113.07
2021	379.58
2022	50.15
2023	102.14
2024	143.38
2025	467.32
Total Acres	11,129.31

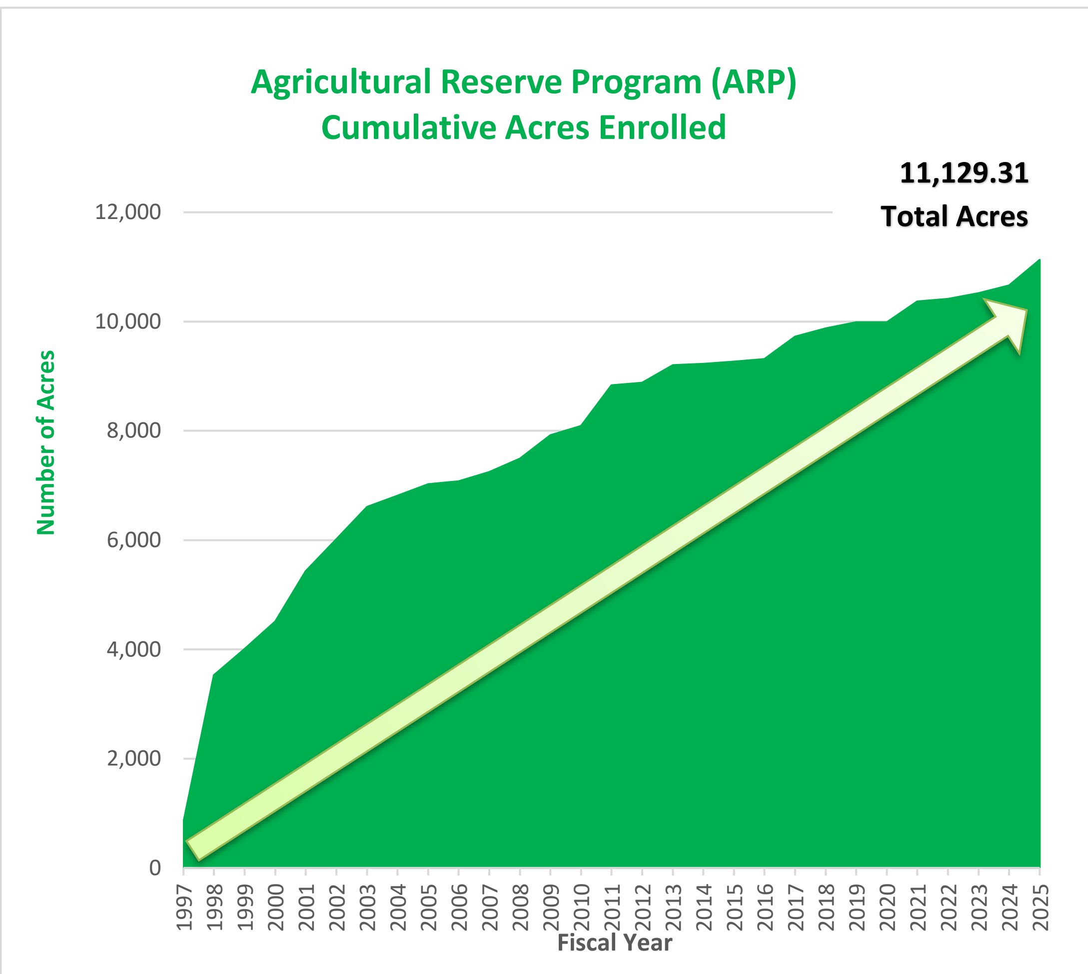

Figure 3 ARP Cumulative Acres Enrolled 1997-2025

ARP Properties Enrolled Since 1997

Applicants	Closing Date	Acres Enrolled	Development Rights Acquired	Easement Value
Gregory, David & Ann & Flanagan, Katie	1997-02-19	48.24	8	$274,093.00
Shealy, Faye & Powell, Beverly	1997-04-23	46.10	4	$77,448.00
Shealy, Faye & Powell, Beverly	1997-04-23	299.64	22	$736,316.00
Frost, Irene	1997-04-23	49.27	4	$93,705.00
Frost, Ralph	1997-04-23	310.20	30	$841,238.00
Chaplain, William & Chaplain, Michael	1997-06-24	81.86	7	$188,266.00
Kaye, Tom	1997-07-08	27.75	3	$126,956.00
Tebault, Earl & Laura	1997-07-30	205.39	20	$567,268.00
Baum Family	1997-08-05	471.67	43	$705,454.00
Baum Family	1997-08-05	107.35	7	$128,103.00
Brown, Ernest	1997-08-27	92.28	10	$175,332.00
Dawley Farm Properties, LLC	1997-08-27	542.83	50	$2,467,500.00
Freeman, Jr., Joseph	1997-09-30	160.17	17	$469,941.00
Freeman, Jr., Joseph	1997-09-30	109.85	2	$147,655.00
Simons, Clyde	1997-10-17	27.31	1	$23,156.00
Lusk, Betty	1997-10-29	304.66	17	$587,626.00
Lusk, Betty	1997-10-29	47.98	2	$67,898.00
Venable, Margaret	1997-11-14	117.12	11	$308,980.00
Boykin, Margaret	1998-01-28	169.88	9	$328,464.00
Waller, George	1998-04-29	308.66	34	$845,386.00
Hudgins, III, W.F. & William & Malvine	1998-09-16	209.00	18	$545,490.00
Foster, Shreeves & Moore Group	1998-09-23	70.72	4	$79,035.00
Baum, John	1998-11-04	158.00	15	$221,548.00
Flanagan, Roy David	1999-06-02	43.20	7	$188,288.00
Gilbert, Luther	1999-09-01	166.95	22	$443,813.00
DOK West, LC & CLK Company	2000-06-28	332.51	28	$1,999,046.00
Pendleton, G. B. & Juanita	2000-09-13	288.01	25	$689,477.00
Davenport, Robin	2000-11-08	125.66	14	$285,876.00
Arnold, Robert	2000-11-29	103.24	8	$256,036.00
Orr, William & Lillian	2000-11-29	29.07	2	$127,908.00
Jensen, Ken & Buffington, Jay & Caroline	2001-02-07	90.50	10	$213,909.00
Furlough, Mildred	2001-02-07	147.98	13	$318,903.00
Furlough, Mildred	2001-06-13	139.89	13	$274,649.00
Cromwell, John W. & Elizabeth	2001-08-01	136.40	14	$1,205,434.00
Williamson, Nancy	2001-12-19	39.68	4	$678,528.00
Lewis, Charles	2001-12-19	138.26	12	$426,631.00
Allen, Tom & Rebecca	2002-01-09	37.56	3	$129,582.00
Bright, Gene & David	2002-02-20	63.33	8	$512,973.00
Bright, Roseanne	2002-02-20	43.25	3	$141,860.00

** Indicates easements that reimbursement funding from VDACS was received to help with acquisition costs.
To date, $1,819,431.41 has been utilized to help further local dollars for farmland preservation.

ARP Properties Enrolled Since 1997

Applicants	Closing Date	Acres Enrolled	Development Rights Acquired	Easement Value
Chesapeake Land Development, LLC	2002-03-20	42.10	4	$200,065.00
Chesapeake Land Development, LLC	2002-03-20	84.89	7	$349,316.00
Vaughan Family	2002-08-28	190.01	16	$816,042.00
Patsel, Margaret	2002-09-11	17.98	2	$55,738.00
Lancaster, John	2002-10-23	117.14	12	$335,201.00
Knight, Barry & Paula	2003-03-19	109.72	10	$278,411.00
Morris, Nelson & Kay	2003-04-30	80.60	4	$234,256.00
Aygarn, Wilmer	2003-06-18	41.81	6	$188,231.00
Sattler, Sharon	2003-06-18	29.46	3	$106,056.00
Eaton, Melvin	2003-08-06	101.80	6	$542,020.00
Bradley, Samuel	2004-01-21	47.30	5	$179,342.00
John G. Cromwell, Sr. Trust	2004-01-28	21.10	3	$255,346.00
Bogda, Earl & Karen	2004-04-07	36.02	3	$102,657.00
Morris, James & June	2005-01-12	67.81	3	$311,866.00
Creamer, Craig & Susan	2005-05-11	25.17	1	$70,499.00
Conte, Diane & Ange, Patricia	2005-06-29	43.02	3	$180,684.00
Knight, Barry & Paula	2005-06-29	77.57	4	$236,589.00
Pecsek, Joe	2006-01-25	29.83	2	$167,048.00
Pecsek, Frank	2006-04-19	23.98	2	$134,288.00
Culpeper, Herb and Steinhilber, Robert	2007-02-14	71.94	9	$1,086,294.00
Talley, Craig & Bonnie	2007-02-14	25.31	2	$179,701.00
Morris, Scott	2007-06-20	68.34	5	$632,145.00
Family of Laura Morris	2007-07-18	17.06	1	$189,366.00
Winfree, David & Teresa	2008-03-05	85.23	3	$1,201,743.00
Knight, Barry & Paula	2008-06-11	144.15	12	$874,415.00
Knight, Barry & Paula	2008-10-08	175.26	16	$1,244,346.00
Estes, Sylvia	2008-10-08	33.44	4	$350,451.00
Golesh, Sharon	2008-10-22	98.86	9	$1,343,507.00
Baum, John & Sandra	2009-05-27	98.77	8	$667,246.00
Knight, Barry & Paula	2009-05-27	21.74	2	$121,744.00
Sanford, William & Cheryl	2009-08-12	14.39	2	$159,729.00
Brumley, Judith & Ronald Spence	2009-11-10	116.54	10	$1,077,994.00
Bonnie B. Marrow Revocable Trust **	2010-05-05	42.28	4	$321,328.00
Baxter, Truman **	2010-08-18	37.94	3	$288,344.00
Sisters II, LLC **	2010-12-08	65.47	4	$331,714.00
White, Rufus & Barbara	2010-12-08	179.43	16	$1,212,150.00
Whale Wallow, LC	2010-12-15	135.95	17	$1,617,805.00
Whale Wallow, LC	2010-12-15	110.97	12	$1,290,666.00
Cocke, Richard & Clarke, Carol	2011-01-26	40.46	4	$449,106.00

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ARP Properties Enrolled Since 1997

Applicants	Closing Date	Acres Enrolled	Development Rights Acquired	Easement Value
Venable Real Estate, LP	2011-02-23	70.49	7	$535,724.00
Baum, Glenn, Donald & Kenneth	2011-03-08	60.47	6	$374,914.00
Knight, Barry & Paula	2011-03-09	38.43	2	$171,654.00
Styron, James & Phyllis	2011-09-20	47.21	5	$434,332.00
Knight, Barry & Paula	2012-10-10	27.56	2	$184,652.00
Horsley, Donald & Diane	2013-03-20	82.66	7	$484,594.00
Horsley, Donald & Diane**	2013-03-20	112.48	9	$616,594.00
Henley, G. W. & Henley Farm, LP	2013-05-01	98.92	4	$1,107,904.00
Lawrence, Sidney & Burch, Karen	2013-07-17	23.12	3	$270,504.00
Betty D. Whitehurst Trust	2015-03-25	42.26	4	$344,842.00
Burroughs Family Revocable Trust**	2015-11-18	50.47	2	$565,264.00
1907, LLC **	2016-08-03	62.45	10	$1,011,690.00
My III Sons, LLC	2016-09-07	101.61	11	$680,787.00
My III Sons, LLC	2016-12-07	83.76	8	$461,611.00
My III Sons, LLC	2016-12-07	45.96	2	$142,444.00
Betty D. Whitehurst Trust	2017-02-15	41.05	2	$209,356.00
Gin-Phil, LLC	2017-04-12	71.08	8	$1,222,576.00
Chaplain Charity Neck Farms, LC	2018-08-15	68.48	3	$523,872.00
Chaplain Charity Neck Farms, LC	2018-08-15	53.26	4	$543,252.00
My III Sons, LLC	2018-09-05	29.69	2	$540,358.00
Robert W. White, Jr. et als**	2019-08-28	113.07	9	$1,036,132.00
Holly Road, LLC et al	2021-04-07	56.80	5	$681,174.00
Ives Farm, LLC	2021-04-28	322.78	17	$2,012,898.00
Bonnie Woodhouse Crane**	2022-03-02	50.15	5	$561,680.00
Morris Neck Farms, LLC	2023-06-16	102.14	9	$1,305,349.00
Muddy Creek Farms, LLC	2024-02-14	143.38	9	$2,025,960.00
Michael and Tabitha Roman	2024-09-20	57.70	4	$905,890.00
Venable Real Estate LP	2024-12-11	66.79	10	$514,283.00
David Heafner, Jr.	2025-01-15	152.96	5	$1,171,582.00
Gilbert Farms, LLC	2025-03-26	100.36	19	$772,772.00
Bonney Bright	2025-06-04	36.17	5	$570,224.00
Bonney Bright	2025-06-04	53.34	3	$709,148.00
	Totals:	**11,129.31**	**964**	**$59,977,236.00**

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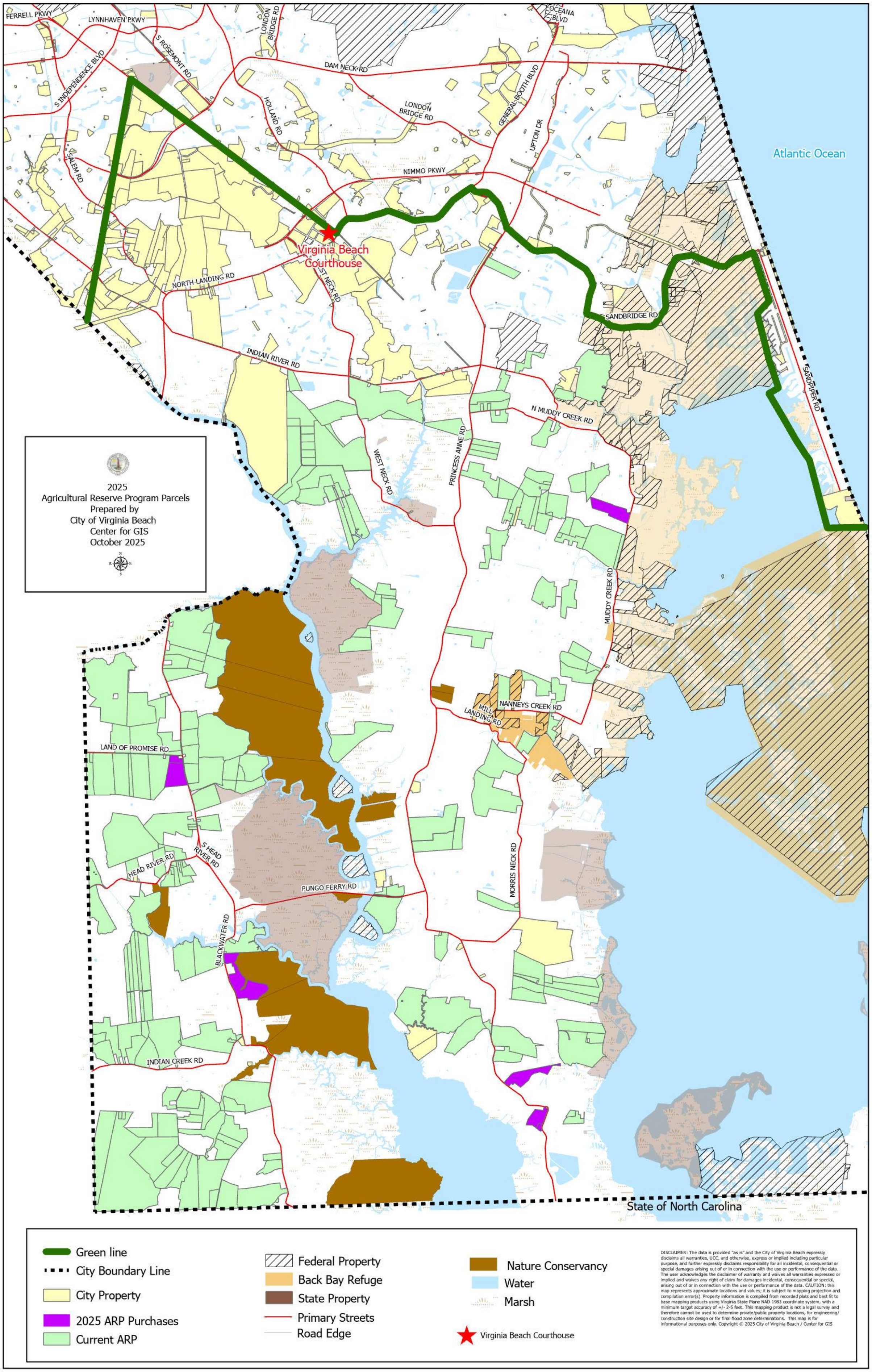

Revised 10/31/2025 SGC