




## City Council Staff Report

**Subject:** Agricultural Reserve Program  
**Author:** Patrick A. Duhaney, City Manager   
**Department:** Agriculture  
**Date:** November 18, 2022  
**Type of Item:** FY21/22 Report – Agricultural Reserve Program

### Summary/Recommendation

Attached for your review is the FY21/22 Report for the Agricultural Reserve Program (ARP). 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.

### Attachments

- FY21/22 ARP Fiscal Report



*City of Virginia Beach*

# Agriculture

## Agricultural Reserve Program

*FY21/22 Report*

*"Preserving agriculture, one farm at a time"*



*ARP Participant, Whale Wallow, LC dba Cullipher Farms*

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## Mission of the Department of Agriculture

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.



Corn harvesting on Land of Promise Farms, an ARP participant.

## Mission of the Agricultural Advisory Commission

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**

Diane Horsley, Chair

William Vaughan, Vice Chair

John Cromwell, Secretary

Jason Dawley

Bart Frye

## 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 the leading program 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.

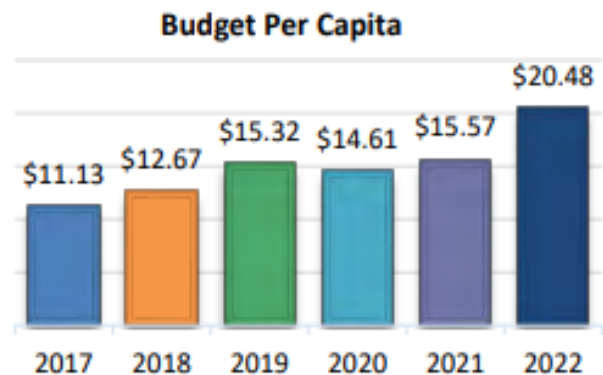
The current acreage in the ARP is now over 10,400 acres, with an annual goal of 300 acres enrolled. Program growth is based on three factors:

- ◆ 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 2022, the total appropriations was approximately \$7,166,564. Of this revenue stream, \$2,603,434 was paid in interest payments to our current participants. With every closing and property that is enrolled, the annual interest payments increase. 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 increase in FY 2021-22 is related to the pass-through payment of principal to landowners from the original ARP acquisitions.



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 fourteen Intergovernmental Agreements with VDACS. The Agriculture Department maintains ongoing agreements with VDACS to ensure we are fully able to leverage local funds. In FY 2022, a total of \$214,809.75 was available as match for our closing. To date, the City has utilized a total of \$1,992,665.80 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.



**Harvesting collards at Cromwell Farm, an ARP participant.**

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 2022 were approximately 54 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 final payments of the principal, 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. Approximately \$2,211,066 was paid in FY 2022, thus retiring a portion of the City's debt via maturity of the T-STRIPS. The following table represents IPAs that matured during FY 2022:

### Payment of ARP Principal in FY 2022

Participants	Amount
Flanagan/Gregory	\$274,093
Shealy/Powell (2 IPAs)	\$813,764
Frost/Horsley (2 IPAs)	\$934,943
Chaplain	\$188,266

**Total**

**\$2,211,066**

Right: Workers at the Cromwell farm plant specialty crops.  
Below: Cut flowers are just one of the many specialty crops at Cromwell's, an ARP participant.  
Below right: Summer sweet corn at Cullipher Farms, an ARP participant.

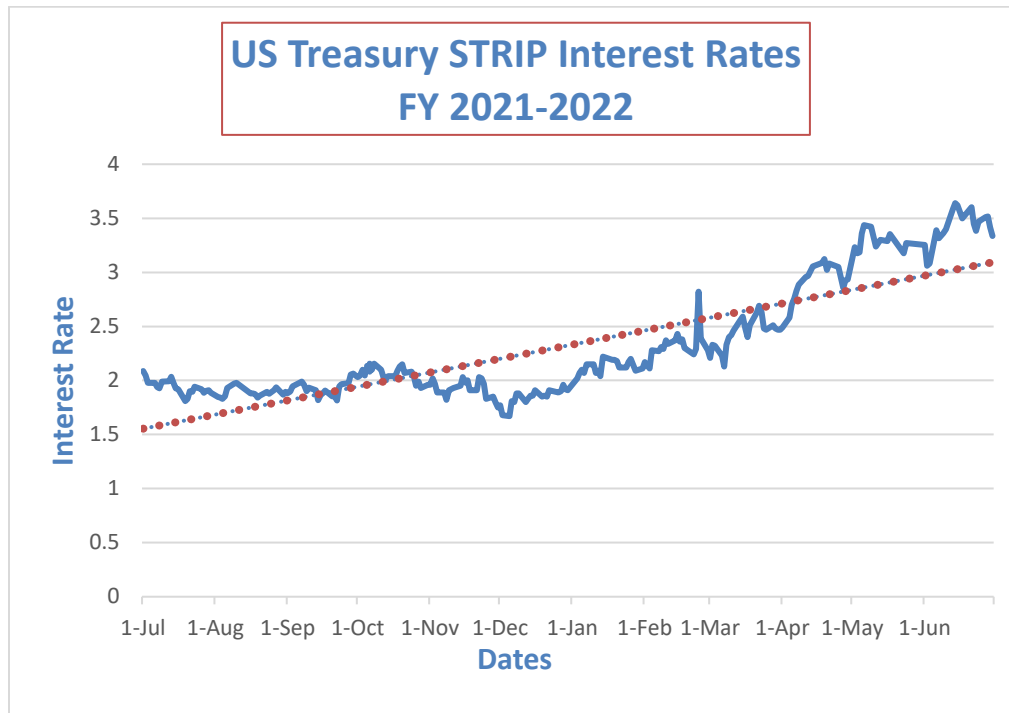




## Interest Rates for the ARP

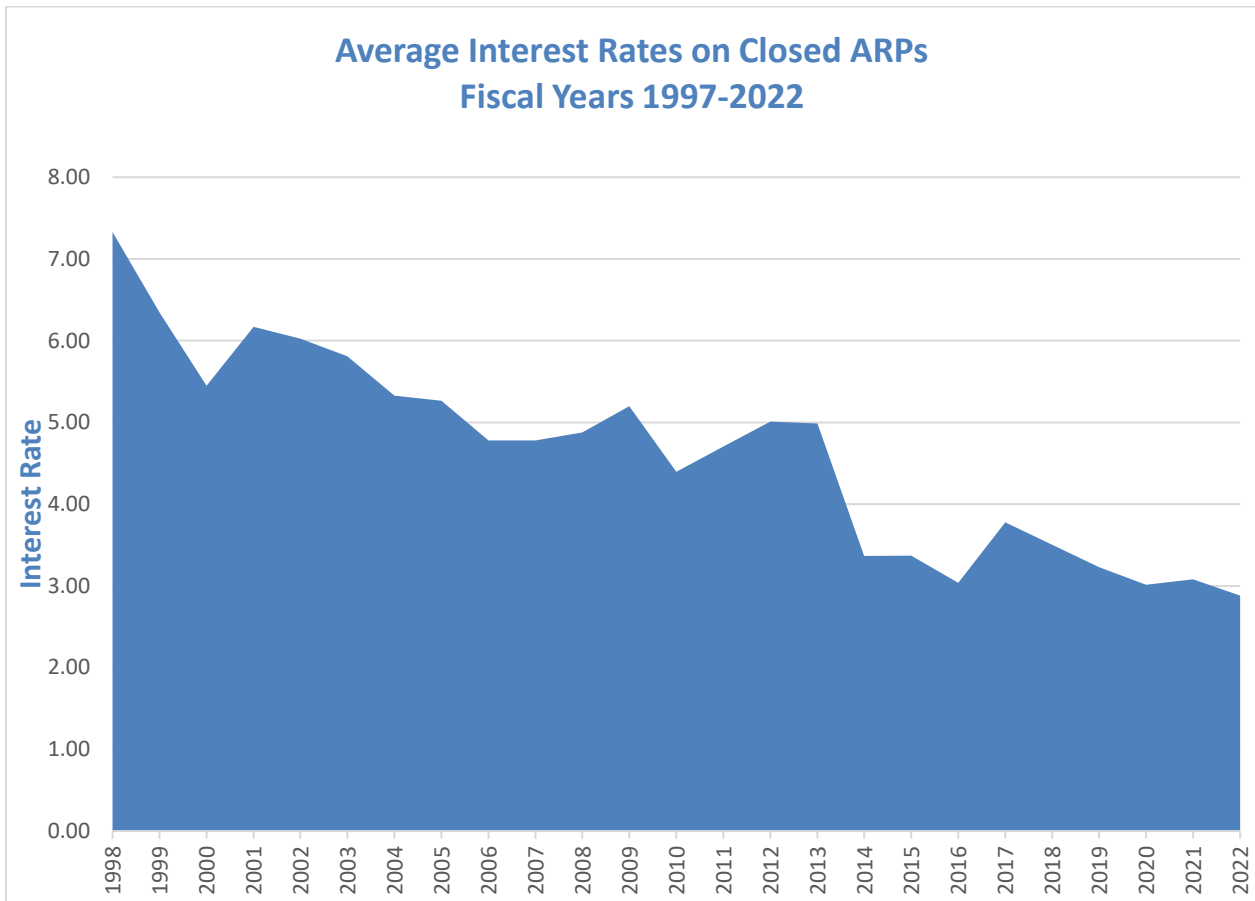
The final interest rate for an ARP easement is determined a few days prior to a closing. The city bids the purchase of the U.S. Treasury STRIPS to obtain the best buy-in price as well as interest rate. A higher interest rate yields a lower buy-in rate for the City since the higher rate will accrue more 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 checks the Barron's website where rates are posted for each business day. The interest rates posted 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 chart shows interest rates on the U.S. Treasury STRIPS that were tracked daily by staff during FY 2022 from the Barron's website. The market began in July at just over 2.00% for the fiscal year and steadily increased, closing at the end of June at 3.335%, with the low for the year at 1.82% in December of 2021 and a high of 3.64% in mid-June of 2022.





The chart below shows interest rates for all closings in the ARP. 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.



## Enrollments in the ARP

In FY 2022, one application of 50.15 acres was 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 2022

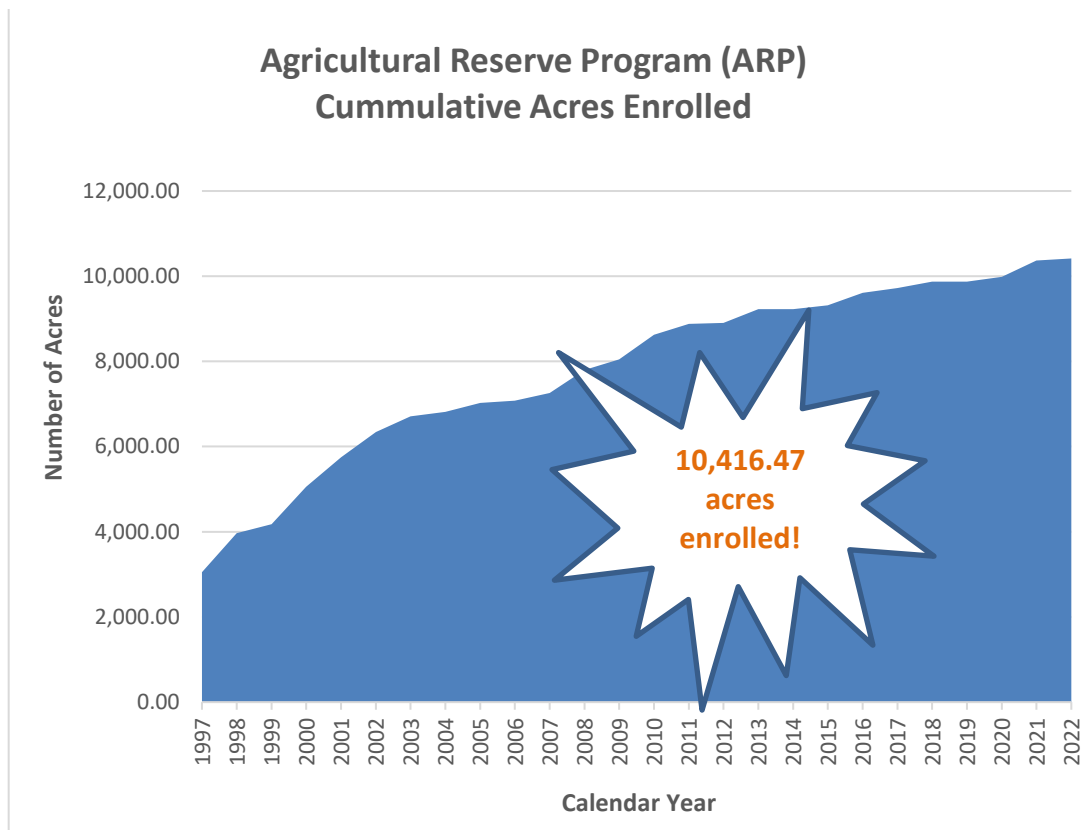
<i>Applicant Name &amp; Location of Property</i>	<i>Closing Date</i>	<i>Acres Enrolled</i>	<i>Development Rights Acquired</i>	<i>Interest Rate</i>	<i>Purchase Price</i>
<b>Bonnie Woodhouse Crane</b> Nanneys Creek Road	3/2/2022	50.15	5	2.500	\$561,680

Even though the above closing represents an easement value of \$561,680.00, the City's actual cost of the U.S. Treasury STRIPS (Separate Trading of Registered Interest and Principal Securities) to fund the purchase price for the easement above was \$301,622.16. The cost of the U.S. Treasury STRIPS was approximately 54 cents on the dollar.

## Enrollments in ARP from FY 1997 through FY 2022

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, one application, comprised of a single parcel closed representing a total of 50.15 acres and five development rights entered the program, for a total of 10,416.47 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. The interest rate especially was an item of concern for many applications during FY 2022. Applications also take a certain amount of time to process, so one year, there may be more applications received with few closings, compared to another year with more closings and less applications received. Therefore, over time, the number of closings and acres enrolled per year fluctuates.



## ARP Properties Enrolled Since 1997

Applicants	Closing Date	Acres Enrolled	Development Rights Acquired	Purchase Price
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	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
DLK & CLK	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

Applicants	Closing Date	Acres Enrolled	Development Rights Acquired	Purchase Price
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
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



Applicants	Closing Date	Acres Enrolled	Development Rights Acquired	Purchase Price
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
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	\$565,246.00
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

Applicants	Closing Date	Acres Enrolled	Development Rights Acquired	Purchase Price
My III Sons, LLC	2016-12-07	83.76	8	\$461,611.00
My III Sons, LLC	2016-12-07	45.95	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	\$368,955.00
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
<b>Totals</b>		<b>10,416.47</b>	<b>900</b>	<b>\$51,689,791.00</b>
<b>** Indicates easements that reimbursement funding from VDACS was received to help with acquisition costs.</b>				
<b>To date, \$1,992,665.80 has been received to help further local dollars for farmland preservation.</b>				



