

Farmer to Farm Land Lease Program

North Willamette Research and Extension Center, Aurora

Thursday, March 16, 2016

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Background

The North Willamette Research and Extension Center includes 160 acres of Class I soil that has been designated for agricultural research and education purposes through a long-term (20 year) lease between Clackamas County government (i.e., property owner and lessor) and Oregon State University (tenant and leasee). The property has been managed as an experimental farm for the past 50+ years through this cooperative relationship. The County provides the lease at no cost to the University. OSU is responsible for all buildings and facilities, infrastructure, upkeep and maintenance. Also, OSU provides all of the faculty and staff and their support to create new knowledge through research to solve local problems facing farmers, and to extend this information through educational programs.

Situation

Historically, OSU has not used all acres at the farm in any given year for research and/or education. Typically, 40-50 acres are set aside annually to be fallowed, rotated between crops and research projects, and/or held in reserve for anticipated and unplanned project opportunities.

Since it is not practical to leave land vacant or unmanaged without creating weed problems for the Research Center and/or neighbors, the customary practice for many years at NWREC has been to grow a low-value, maintenance, or cover crop to stabilize soil, help with weed management, and to generate dollars to pay for the expense of the crop—thus, avoiding a negative impact on the Center's budget. In some years, when weather conditions and/or market prices have been particularly good, the 40 to 50 acres of non-research land has been able to generate a positive cash flow of up to \$15-20,000. In other years that have been less favorable, the net return from these lands has been less than \$3,000.

Farmer to Farm Lease Program

In 2012 the Clackamas County Commissioners agreed to support a NWREC proposal to lease land not needed for agricultural research and education in the coming year to local farmers who would be interested in being located at the Center. The concept was developed to: 1) more efficiently use more of the NWREC property for agricultural purposes without an increased cost and need for management by the farm's staff; 2) increase the interaction of NWREC's faculty and staff with local farmers at the Center and develop opportunities for collaborations in research and/or education on the leased acres; 3) create a more stable cash flow by leasing rather growing our own crops and hoping for good weather and markets to produce income; and 4) increase farm-based revenue that could flow into NWREC's budget and

assist with on-going farm management costs—in other words, create a “working farm” or entrepreneurial focus to help financially support the overall operation of the Center and the benefits we provide to the community.

The **Farmer to Farm** lease program was originally a one-year pilot that has been renewed. At last year’s renewal discussion, the Clackamas County Commissioners expressed concern about the program and raised four key issues to address prior to another approval. The issues are summarized here:

Appropriate Use of the Research Center and the Intended Purpose

NWREC will always have acres each year not being actively used for on-going research. Nearly all of our research is grant-funded. When funding ends, so does work. There are often lags between projects. Also, depending on the research project occurring on the ground, there may be need to fallow (rest) the land prior to using, again, for the same crop or a different crop. Finally, crop rotations from one crop to another may be needed for best soil and pest management practices. As a result, we need flexibility with our acres.

Leasing land to local farmers is an excellent fit to the research and education mission at NWREC for several reasons. First, we rely on a close working relationship with farmers to understand their needs and address their problems. Working side-by-side at NWREC provides new and unique perspectives for our scientists, the farmers, and fosters communication. Second, having the farmers manage the land they lease—according to our guidelines and constraints—minimizes the management burden on NWREC’s farm limited staff and generates a guaranteed source of revenue we can plan on.

Farmer Favoritism

Over the past several years, we have developed a process to fairly provide opportunities for local farmers to partner with us on our **Farmer-to-Farm** lease program. First, we publically advertise lease opportunities. Second, all proposals are reviewed by a committee of NWREC faculty to ensure appropriateness and fit with our work at the Center. Third, strict guidelines for leasees at NWREC address issues like: 1) farmers use only their equipment and must clean prior to bringing on the farm; 2) all chemicals (fertilizers, soil amendments, and pesticides) to be used must be approved by NWREC—including permission to apply just before application; 3) all irrigation needs must be scheduled in conjunction with research and education activities and not interfere with these priorities.

Sharing the Farmer-to-Farm Lease Income with the County

The lease rate for land in our **Farmer-to-Farm** program was set at the going market rate for farm land leasing on similar soils with access to irrigation water—\$400/acre/year. The maximum income earned to date through our **Farmer-to-Farm** Lease program at NWREC has been \$16,000 during 2014 when we leased a combined total of 40 acres to three farmers.

Other year incomes have ranged from \$2,800/year to \$7,200/year.

These are not huge amounts of income generated for NWREC's operations budget—but, do provide important resources to help defray the overall operational costs at the Center.

Removing Tax-Exempt Status for Privately Farmed Lands

There has been discussion that any lands leased at NWREC should be removed from the tax-exempt status and taxed at appropriate Exclusive Farm Use rates since the leasees are growing and selling their own crops and receive that income without further remuneration to OSU—other than their lease cost.

Removal of land from the tax-exempt classification can be done. But, as discussed in past years when this issue has come up, it may not be practical. For instance, removal of land at NWREC (based on geographic location in county/taxing district, soil quality, irrigation) and returning to an EFU property tax value would be approximately \$20/acre/year—as provided by the County Assessor's office. The question would be whether the cost to process this adjustment would be worth the added income to the County—and, how this would be managed. Also, there is an issue of the tax year coinciding—or not—with the farming and cropping season.

Final Thoughts

The NWREC Farmer-to-Farm Lease program has been successful, attracted interest from local farmers, and has not negatively impacted the overall operations of the Center and our mission.

Our biggest challenge to date has been coming to the County each year for permission to sub-lease land at the Center. Timing and getting approvals has impacted our ability to efficiently run this program.

My proposal would be to proceed, as follows:

- **Continue the North Willamette Research and Extension Center's Farmer-to-Farm land lease program**, as currently managed, but develop a five-year renewable addendum to the existing lease between Clackamas County and Oregon State University.
- **Continue to advertise the annual leasing opportunities** through the media and posting on our NWREC website and social media sites.
- **Continue to review each of the land lease proposals through NWREC's Land Use Committee** for appropriateness of work and potential impacts or conflicts with activities at the Center.
- **Continue to review the land leasing rate annually and adjust**, as necessary, based on local market conditions.
- **Agree on an approximate property tax valuation per acre for transferring NWREC's leased lands to taxable EFU status.** Add this cost to the lease payments provided by the leasees. NWREC could collect these fees, annually, and send to the Clackamas County Assessor's office as a lump sum.