

From: Gustave Seelig [gseelig@vhcb.org]

Sent: Tuesday, February 05, 2013 2:44 PM

To: London, Sarah; Ross, Chuck

Subject: VLT Ag easement costs

Attachments: associated costs proposal simplified 10 12.xlsx; Sarah London & Chuck Ross memo.pdf

Sarah and Chuck attached please find a memo and a spreadsheet that I trust will meet the goals we have all agreed to around reducing VHCB expenditures on farm projects. Thanks for your work on this. Let me know if you have any questions. Gus

VLT ASSOCIATED COSTS ON FARM PROGRAM

ITEM	Associated Costs	Assoc. Cost to VHCB	Total Cost to VHCB
Current Situation			
Associated cost/farm (22 farms)	\$ 15,500	\$ 341,000	
Stewardship	\$ 7,000	\$ 154,000	
Total			\$ 495,000
Alternative			
Associated costs (no costs on leverage farms) (assuming 4 farms leveraged)	\$ 15,500	\$ 279,000	
Stewardship (including approx. 1% contribution from farmer)		\$ 93,600	
VLT reduction in costs for associated costs		\$ (45,000)	
Total Cost to VHCB for costs on conservation of farms			\$ 327,600
Savings			\$ 167,400
% Reduction			34%
Contract Amount			
Total cost to VHCB	\$ 327,600		
Less third party costs (not in contract)	\$ 72,000		
Base Contract Amount	\$ 255,600		

MEMORANDUM

TO: Sarah London, Counsel to the Governor; Chuck Ross, Secretary, Agency of Agriculture

Cc: Gil Livingston, President, Vermont Land Trust

FROM: Gus Seelig, Executive Director

DATE: January 30, 2013

RE: Follow Up on Recalibrating Farm Conservation Projects

The Vermont Housing & Conservation Board has been spending approximately \$500,000 annually for stewardship and staffing costs to conserve an average of 22 farms per year. The Governor has asked us to rethink this process and lower costs paid by VHCB.

I plan to recommend to the Board that we enter into a contract for services with VLT that will have a number of benchmarks. We will evaluate progress over the next two years. In addition, VLT has agreed to implement a new system by April 1 to track staff time that will provide better data for us to evaluate program performance cost and performance and stewardship costs next year.

What follows is consistent with the Agricultural Easement Cost Reduction plan agreed to by all parties this fall as a precondition to release of associated costs that had been withheld. Briefly, VHCB proposes that we reduce cost to VHCB for the farm development rights program by at least 25% utilizing the following mechanisms:

1. All farm deals that have cash donations or philanthropic support will utilize such funding to offset first transaction and then stewardship costs. We anticipate no less than 3-4 deals each year will include such support, lowering stewardship contributions by \$21-28,000 and staff and other costs by \$54,000-\$69,000.
2. Farmers will be asked to contribute 1% of easement value with a few hardship exceptions for new farmers with limited capital and an exiting seller with no motivation to contribute to stewardship. This will generate savings of \$30,000-45,000 per year further reducing VHCBs contribution for stewardship .

3. Third party transaction costs will be capped at \$4,000 per project to be paid by VHCB. VLT has implemented several steps to better manage and reduce legal costs as well.
4. Staff costs will be a part of Contract for Services for the development rights program VLT may request and the Board will separately consider a request to support VLT's Farmland Access Program. This will save approximately \$45,000 or close to \$2,000 per transaction from the current allocation and award of the purchase of development rights program.

Together the savings should approximate \$150 -165,000 annually even with room for hardship exceptions for stewardship donations or projects that have extremely high transaction costs due to federal requirements for appraisals. In short we anticipate that transaction and stewardship costs will average around \$16,000 rather than the current \$22,500. The Board will review stewardship and operating costs annually and determine whether further adjustments are necessary.

The Contracts for Services will require both productivity and accountability. The Board anticipates implementing all of these changes in time for its May funding round in which the Board will be allocating FY `14 funding for closings that will happen after July 1, 2013. Attached is a spreadsheet that illustrates the projected changes based upon 22 farm projects.