



Isaiah Wunsch

FIGHTING FOR FARMLAND

Conservation easements boost ag operations across region

By Art Bukowski

One of the region's most significant and enduring industries is at a tipping point, but a legal tool with a powerful set of benefits could help turn the tide and secure a brighter future.

Agriculture is at the very heart of the Cherry Capital. It plays a massive role in the region's economy, history and culture,

are eating away at margins that are already razor thin. And land prices are through the roof, leading to intense pressure to sell farmland – which often sits high atop ridges and offers premium views – for residential or commercial development.

“If farms are struggling, sometimes the best way out is to sell acreage. And a lot of that is watershed views. If you look at the American Farmland Trust's areas of con-

Chown, executive director of the Grand Traverse Regional Land Conservancy (GTRLC). “We have incredible urgency to permanently protect farmland, because once it's gone, it's gone.”

But how, exactly, is this farmland protected? Though there are few tools in the toolbox, by far the most common is something known as a conservation easement.

A conservation easement is a voluntary legal agreement between a landowner and another party that permanently restricts the way land is used, most often by prohibiting residential or commercial development. These agreements have a cash value (because development rights have value) and are usually purchased. Once in place, the land is protected in perpetuity, regardless of owner.

GTRLC – which serves Antrim, Benzie, Grand Traverse, Kalkaska and Manistee counties – and the one-county Leelanau Conservancy have combined to protect more than 15,000 acres of high-quality farmland since their inceptions in 1991 and 1988, respectively.

Another layer of protection lies with voter-approved purchase of development rights (PDR) programs in Peninsula and Acme townships, which take the use of conservation easements to a community-wide level. In these programs, a millage

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What is purchase of development rights (PDR)?

PDR programs, which exist in Acme and Peninsula townships, take the use of conservation easements to a community-wide level. In these programs, a millage is assessed to raise money that allows the township to purchase conservation easements that extinguish farmers' development rights. Both programs have been renewed multiple times by township voters.

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–Isaiah Wunsch, Old Mission farmer

and the produce grown here is a big part of why Michigan ranks second in the nation (behind only California) in agricultural diversity.

But the industry is in a pressure cooker. Farmers are aging out, and the next generation is either uninterested or facing major barriers to entry. Foreign imports, inflation, labor costs and more

cern, northwest Michigan is a huge concern in terms of loss of farmland,” said Nikki Rothwell, coordinator of the Northwest Michigan Horticultural Research Center.

Saving farmland – and keeping farmers in farming – is therefore a major focus of two key nonprofits and a pair of township governments in the region.

“Asphalt is the last crop,” said Glen



Gene and Kathy Garthe

“For us, it was about that debt load and reinvesting in equipment. Conserving the land isn’t going to give you enough of a financial benefit that suddenly you can buy the newest and best equipment, but what it does is it helps you stabilize what can be a very, very tough business to stay in.”

–Kathy Garthe, Northport farmer



Lew and Ginny Coulter, Adele Wunsch, Emma Smith and Raul Gome

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Good for business

Many local farmers have deep roots in the region, with third, fourth, fifth and even sixth-generation farmers not uncommon. These strong ties to the land often come with an equally strong desire to see that land forever protected from development, leading them down the path of conservation.

But conservation benefits aside, these deals can also be very wise business decisions. Money gained from the sale of an easement can be reinvested into farming operations, for instance, or used to purchase new land. Proceeds can also be used to erase or reduce debt. In addition, some farmers experience considerable tax benefits when selling or donating an easement on their property.

Arguably the biggest benefit is it allows farmers to get some cash out of their land without having to sell all or part of their farm.

“The beauty of a conservation easement with the conservancy or through a PDR program is that it gives farmers another option,” Chown said. “Before the advent of these programs, it was a zero-sum situation. Either you soldiered on and kept farming, or you just sold the farm.”

Gene and Kathy Garthe have land in Northport that was settled by Gene’s great-grandfather and Norwegian immigrant Steiner Garthe in the late 19th century. The acreage produces high-quality apples, cherries and pears, and they’re proud to farm on land that has been in the family for generations.

The Garthes recently worked with the Leelanau Conservancy to protect about 360 acres with conservation easements. They put the proceeds to work in two ways: Reducing the debt load tied to their purchase of other family farms and making upgrades to shak-

ers and other farm implements.

“For us, it was about that debt load and reinvesting in equipment,” Kathy said. “Conserving the land isn’t going to give you enough of a financial benefit that suddenly you can buy the newest and best equipment, but what it does is it helps you stabilize what can be a very, very tough business to stay in.”

Along with his brother Don, Ed Kiessel owns Kiessel Orchards near Suttons Bay. Recently they sold an easement on 108 acres or their holdings, which, like the Garthes, helped erase some debt.

“No one’s making a ton of money on selling fruit. A lot of the value lies in the land, and so being able to take some of that value out and still own the land and farm it really helped from an operational perspective,” he said. “If you’re breaking even or losing a little, this takes the pressure off a little bit by allowing you to get some capital.”

Over at the popular Mawby vineyards and winery, local bubbly pioneer Larry Mawby benefited from another business-related benefit of conservation easements. He says he avoided long-term capital gains tax by donating an easement when he sold half his business to the Laing family in 2009.

“Contributions like that are fundamentally charitable in nature, but they certainly can have a positive effect on the bottom line,” he said.

Purchase of development rights

Peninsula Township’s PDR program was first approved by voters in 1994, with Acme Township voters following suit in 2004. Both programs have since been renewed by voters multiple times, with thousands of acres protected.

In Acme, Nels Veliquette will speak at length about the importance of PDR programs and of conservation easements in general. Veliquette and his family – along with the Gregory family in Leelanau County – run Shoreline Fruit. Shoreline is the largest tart cherry operation the

entire country, with about 6,000 acres owned and managed.

Veliquette submitted one of his farms in Acme’s first wave of PDR in an effort to lead by example and help dispel myths. Despite the program already being active over on Old Mission, some farmers were still convinced selling their development rights meant the township would tell them how or what to farm, or that the public would have access to their land – both false.

“You need a group at the beginning who says, ‘We believe in this,’” Veliquette said. “Initially there was a lot of skepticism and some misconceptions.”

Veliquette now has about 320 acres in the program after multiple rounds. Each sale of development rights means more capital for the farm.

“In our case, we have typically just taken that money and poured it right back into our business, whether that’s additional infrastructure at the farm level or additional infrastructure at our value-added and our processing level,” he said. “It goes right back into our operations.”

On Old Mission, Isaiah Wunsch is both Peninsula Township supervisor and the latest in several generations on both his mom’s and dad’s side to farm there. Like Veliquette, his dad was a leader in Peninsula Township’s first round of PDR. Selling an easement then meant a new refrigerated warehouse and packing facility for cherries and other produce.

Aside from about 185 acres now enrolled in the township PDR program, Wunsch and his family have also worked with GTRLC directly to protect another 120 acres. And in addition to reinvesting in farming operations with easement proceeds, Wunsch also expanded operations by purchasing two farms that already had easements placed on them, thus making them more affordable (once development rights are extinguished, the market value of a property is reduced.)

“I basically had to struggle along to break even for a few years as I was reinvesting in those farms, but I didn’t have

to operate at a major loss to get the farms back up into production because I bought them at a lower price,” he said.

Beyond the reduced price, Wunsch and other farmers also say they find parcels with conservation easements attractive because they’re generally in better shape.

“As I continue to look at buying farms to add into the Wunsch Farms portfolio, those farmers who have sold conservation easements tend to be better stewards of the land,” he said. “They’re interested in figuring out how to make a viable agricultural business work on that real estate and they’re not looking at their farmland as just a passive real estate investment that they’re going to sell off for development at some point.”

The next generation

Because land is priced lower with its development rights extinguished, land with conservation easements is generally more affordable. This is important to younger farmers looking to get into the business for themselves.

“There’s interest from young people in getting into agriculture, but the price of land is so prohibitive,” GTRLC’s Chown said. “If those development rights are intact, the price is usually out of reach for most up-and-coming farmers.”

Therefore, conservation easements are extremely important when it comes to ensuring the very future of viable agricultural operations in our region.

“When it comes time to retire and you’ve worked in the corporate world, what do you have? You have your 401k, your pension and this other stuff that’s been built up over time. If you get ready to retire as a farmer, what do you have? You have your land,” Veliquette said.

“The PDR and conservation easement programs allow a way for farmers to retire from the business of farming without retiring that land from active production, and that’s a really important point here.”

On Old Mission a few years back, Lew and Ginny Coulter pondered what to do



Veliquette

with their beautiful orchard near the peninsula's highest point as they neared retirement. Both ardent conservationists at heart – Lew was executive director of the Grand Traverse Conservation District and on GTRLC's board – they were also pragmatic.

“We didn't have our mind set on preserving (our land), even when I was on the Conservancy board. It was just the economic reality,” Lew said. “It was our retirement, and for quite a while there we figured we'd sell it for top dollar.”

But they found a way to have their cake and eat it too. The Coulters sold conservation easements on the farm to GTRLC and then sold the land itself to younger farmers. The deal allowed the Coulters to get money for the land while simultaneously ensuring that it's preserved – and more affordable for

the next generation of farmers.

That next generation is Isaiah's sister Adele Wunch, who bought a 21-acre portion of the farm, and Raul Gomez and Emma Smith, who bought a 16-acre chunk. Gomez, a son of migrant workers and who grew up working on Wunch operations, says he is excited to be a landowner of his own.

“I think if you farm long enough, and manage farmland long enough, your end goal is to own your own farm,” Gomez said. “So it's definitely exciting to be able to do that and to say that we have a farm.”

Conservation easements made the whole deal possible.

“It would absolutely have not been affordable for us without the easement,” said Smith, Gomez' partner. “Neither one



Gary and Steve Bardenhagen

of us have inherited wealth, so it would have been impossible for us at this stage in our lives.”

In Leelanau County, Steve Bardenhagen owns the well-known and beloved Bardenhagen Berries. His produce is popular not only with those who visit the farm, but also at the Sara Hardy Downtown Farmers Market in Traverse City, where people line up for his fresh strawberries.

The farm has been in his family since 1872. In 2008, his parents Gary and Christi Bardenhagen worked with the Leelanau Conservancy to sell an easement on the 184-acre farm and then sold it to Steve. It's unlikely that Steve would have been able to buy the farm without the easement, he said.

“It just comes down to money. When you sell the development rights, the land

becomes cheaper, and it's easier to cash flow it in order to farm,” Steve said. “Looking at the prices of some of these farms these days, it's just amazing. You calculate out a mortgage and try to think how you're possibly going to make ends meet.”

Though thousands of acres have been protected in the region, advocates say it's important to push ahead with urgency.

“We need to be careful not to rest on our laurels. We've done a great job protecting a lot of farmland already, but in Peninsula Township, there's probably one more big push that needs to happen,” Wunsch said. “It needs to be aggressive and with the understanding that if this farmland isn't protected as we go through these generational transitions, we'll probably lose our shot at preserving it.”