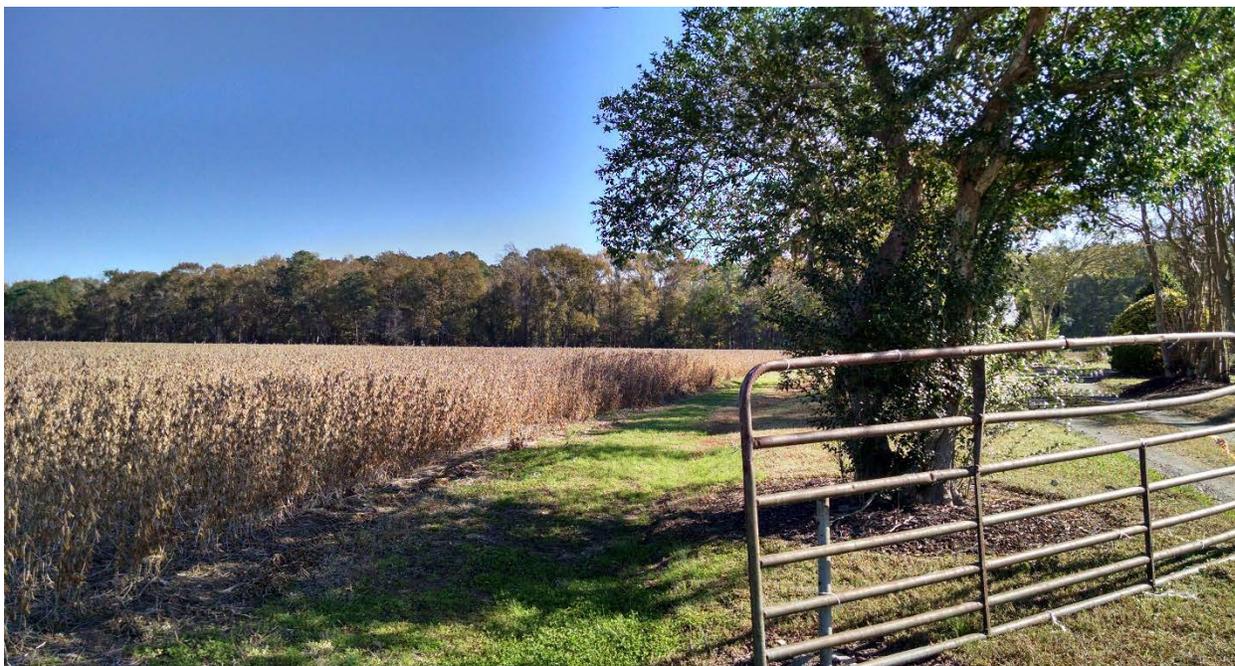




City of Virginia Beach  
Agricultural Reserve Program  
2019 Fiscal Year Report

*“Preserving agriculture, one farm at a time”*



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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.

## **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.

### **Funding for ARP**

The Agricultural Reserve Program (ARP) is one of the best funded programs in the Commonwealth thanks to City Council's dedication to the program to make sure that it is adequately funded. Funding for the ARP is provided through a dedicated portion of the real estate tax that is collected annually. During FY 2019, the total appropriations was approximately \$5,829,695. Of this revenue stream, \$2,412,443.83 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 \$900,000 annually is allocated to stormwater management and flood prevention projects in the southern watershed. If additional funding for new acquisitions is needed beyond what was budgeted, then the ARP fund balance may be used.

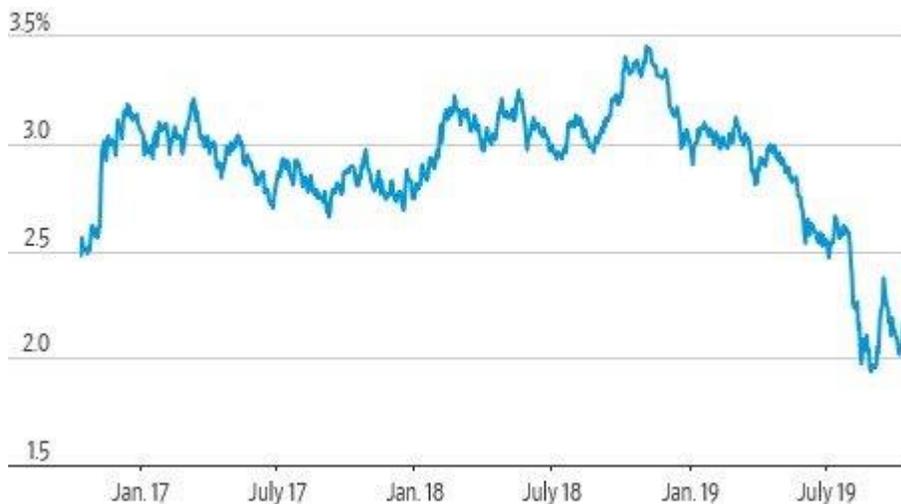
The Virginia Department of Agriculture and Consumer Services (VDACS), through their Office of Farmland Preservation, have provided grant funding to localities to further their efforts in purchasing development rights from agricultural landowners. Funding was first allocated to certified programs across the state in 2008. Since then, City Council has approved twelve Intergovernmental Agreements with VDACS. The Department maintains ongoing agreements with VDACS to ensure we are fully able to leverage local funds. No match was utilized in FY 2019, however \$173,233.75 was available as match for our first closing in FY 2020. To date, the City has utilized a total of \$1,604,622.30 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 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 is able to leverage its dollars invested over the 25 year payment plan. Initial costs to purchase the U.S. Treasury STRIPS for the closings in FY 2019 were approximately 46 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.

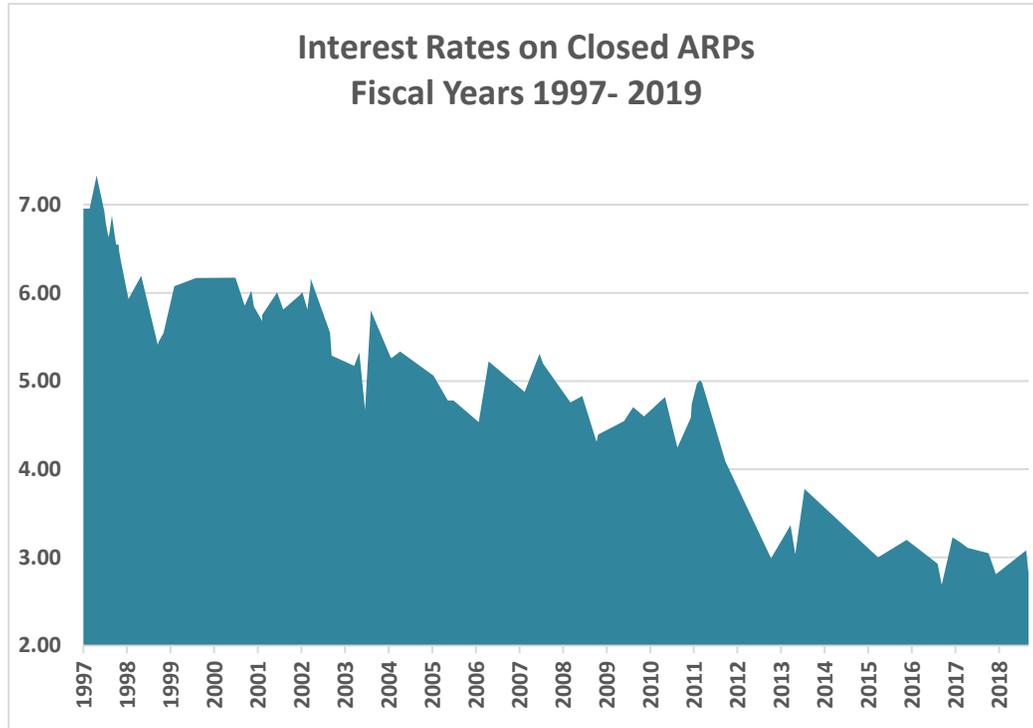
**Interest Rates for ARP**

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. In order to see how the interest rate market is performing on the U.S. Treasury STRIPS, staff periodically checks the Wall Street Journal 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 2019 from the Wall Street Journal website. The market steadily improved during the first half of the fiscal year and then slowly tapered off ending the calendar year near 3.00%. During the fiscal year, interest rates on STRIPS have fluctuated from a high of 3.442% in early November of 2018 to a low of 2.537% at the end of June. Since that time, rates have reached a low of 1.964% but seem to remain within the 2.0-2.3% range through the third quarter of CY 2019.



The chart below shows interest rates for all closings in 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 2.69% was associated with a closing in September 2016.



**Enrollments in ARP for FY 2019**

In FY 2019, three applications containing three large parcels representing a total of 151.43 acres were enrolled into the ARP. The closing date, acres enrolled, number of development rights acquired, interest rate and purchase price are listed for each application in the table below:

**New ARP Properties Enrolled During Fiscal Year 2019**

<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>
Chaplain Charity Neck Farms, LC --4021 Charity Neck Road	8/15/2018	68.48	3	3.08%	\$523,872.00
Chaplain Charity Neck Farms, LC --Gum Bridge Road	8/15/2018	53.26	4	3.08%	\$543,252.00
My III Sons, LLC --1812 Indian River Road	9/5/2018	29.69	2	2.82%	\$540,358.00
<b>TOTALS:</b>		<b>151.43</b>	<b>9</b>		<b>\$1,607,482.00</b>

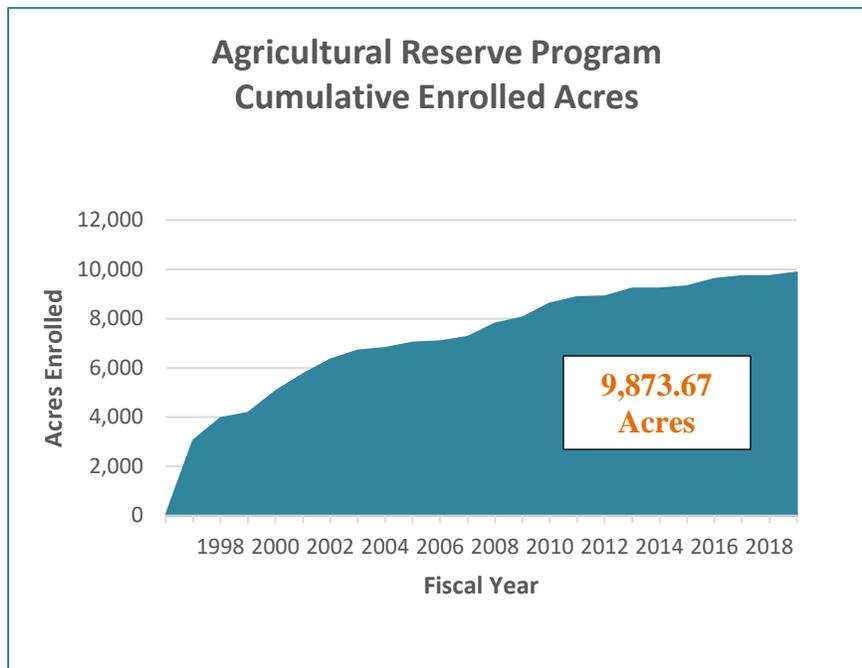
Even though the above closings represent an easement value of \$1,607,482.00 the City’s actual cost of the U.S. Treasury STRIPS (Separate Trading of Registered Interest and Principal Securities) to fund the purchase price for the easements above was \$737,281.00. The cost of the U.S. Treasury STRIPS was approximately 46 cents on the dollar.

**Enrollments in ARP from FY 1997 through FY 2019**

The graph below shows the cumulative number of acres that have been enrolled by fiscal year in the history of the program. The greatest amount of enrollments in one year was seen in FY 1998 shortly after the program was adopted. This past year, three properties closed representing a total of 151.43 acres and nine development rights entered the program.

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 2019. 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. There has already been a successful closing on one easement for three parcels totaling 113.07 acres with a development potential of 11 dwelling sites, with the seller reserving two for FY20.

**9,873.67 ACRES  
HAVE BEEN  
ENROLLED IN THE  
AG RESERVE  
PROGRAM AT THE  
END OF FY 2019.  
AN ADDITIONAL  
113 ACRES HAVE  
ALREADY CLOSED  
IN FY 2020.**



**ARP Properties Enrolled Since 1997**

The closing dates, acres enrolled, number of development rights acquired, and purchase price are listed for each application in the table below:

<b>Applicants</b>	<b>Closing Date</b>	<b>Acres Enrolled</b>	<b>Development Rights Acquired</b>	<b>Purchase Price</b>
Gregory, David & Ann & Flanagan, Katie	2-19-97	48.24	8	\$274,093.00
Shealy, Faye & Powell, Beverly	4-23-97	46.10	4	\$77,448.00
Shealy, Faye & Powell, Beverly	4-23-97	299.64	22	\$736,316.00
Frost, Irene	4-23-97	49.27	4	\$93,705.00
Frost, Ralph	4-23-97	310.21	30	\$841,238.00
Chaplain, William & Chaplain, Michael	6-24-97	81.86	7	\$188,266.00
Kaye, Tom	7-8-97	27.75	3	\$126,956.00
Tebault, Earl & Laura	7-30-97	205.39	20	\$567,268.00
Baum Family	8-5-97	471.67	43	\$705,454.00
Baum Family	8-5-97	107.35	7	\$128,103.00
Brown, Ernest	8-27-97	92.28	10	\$175,332.00
Dawley Farm Properties, LLC	8-27-97	542.83	50	\$2,467,500.00
Freeman, Jr., Joseph	9-30-97	160.17	17	\$469,941.00
Freeman, Jr., Joseph	9-30-97	109.85	2	\$147,655.00
Simons, Clyde	10-17-97	27.31	1	\$23,156.00
Lusk, Betty	10-29-97	304.66	17	\$587,626.00
Lusk, Betty	10-29-97	47.98	2	\$67,898.00
Venable, Margaret	11-14-97	117.12	11	\$308,980.00
Boykin, Margaret	1-28-98	169.88	9	\$328,464.00
Waller, George	4-29-98	308.66	34	\$845,386.00
Hudgins, III, W.F. & William & Malvine	9-16-98	209.00	18	\$545,490.00
Foster, Shreeves & Moore Group	9-23-98	70.72	4	\$79,035.00
Baum, John	11-4-98	158.00	15	\$221,548.00
Flanagan, Roy David	6-2-99	43.20	7	\$188,288.00
Gilbert, Luther	9-1-99	166.95	22	\$443,813.00
DLK & CLK	6-28-00	332.51	28	\$1,999,046.00
Pendleton, G. B. & Juanita	9-13-00	288.01	25	\$689,477.00
Davenport, Robin	11-8-00	125.66	14	\$285,876.00
Arnold, Robert	11-29-00	103.24	8	\$256,036.00
Orr, William & Lillian	11-29-00	29.07	2	\$127,908.00
Jensen, Ken & Buffington, Jay & Caroline	2-7-01	90.50	10	\$213,909.00
Furlough, Mildred	2-7-01	147.98	13	\$318,903.00
Furlough, Mildred	6-13-01	139.89	13	\$274,649.00
Cromwell, John W. & Elizabeth	8-1-01	136.4	14	\$1,205,434.00
Williamson, Nancy	12-19-01	39.68	4	\$678,528.00
Lewis, Charles	12-19-01	138.26	12	\$426,631.00
Allen, Tom & Rebecca	1-9-02	37.56	3	\$129,582.00
Bright, Gene & David	2-20-02	63.33	8	\$512,973.00
Bright, Roseanne	2-20-02	43.25	3	\$141,860.00
Chesapeake Land Development, LLC	3-20-02	42.1	4	\$200,065.00
Chesapeake Land Development, LLC	3-20-02	84.89	7	\$349,316.00

## ARP Properties Enrolled Since 1997 (continued)

Applicants	Closing Date	Acres Enrolled	Development Rights Acquired	Purchase Price
Vaughan Family	8-28-02	190.01	16	\$816,042.00
Patsel, Margaret	9-11-02	17.98	2	\$55,738.00
Lancaster, John	10-23-02	117.14	12	\$335,201.00
Knight, Barry & Paula	3-19-03	109.72	10	\$278,411.00
Morris, Nelson & Kay	4-30-03	80.60	4	\$234,256.00
Aygarn, Wilmer	6-18-03	41.81	6	\$188,231.00
Sattler, Sharon	6-18-03	29.46	3	\$106,056.00
Eaton, Melvin	8-6-03	101.80	6	\$542,020.00
Bradley, Samuel	1-21-04	47.30	5	\$179,342.00
John G. Cromwell, Sr. Trust	1-28-04	21.10	3	\$255,346.00
Bogda, Earl & Karen	4-7-04	36.02	3	\$102,657.00
Morris, James & June	1-12-05	67.81	3	\$311,866.00
Creamer, Craig & Susan	5-11-05	25.17	1	\$70,499.00
Conte, Diane & Ange, Patricia	6-29-05	43.02	3	\$180,684.00
Knight, Barry & Paula	6-29-05	77.57	4	\$236,589.00
Pecsek, Joe	1-25-06	29.83	2	\$167,048.00
Pecsek, Frank	4-19-06	23.98	2	\$134,288.00
Culpeper, Herb and Steinhilber, Robert	2-14-07	71.94	9	\$1,086,294.00
Talley, Craig & Bonnie	2-14-07	25.31	2	\$179,701.00
Morris, Scott	6-20-07	68.34	5	\$632,145.00
Family of Laura Morris	7-18-07	17.06	1	\$189,366.00
Winfree, David & Teresa	3-5-08	85.23	3	\$1,201,743.00
Knight, Barry & Paula	6-11-08	144.15	12	\$874,415.00
Knight, Barry & Paula	10-8-08	175.26	16	\$1,244,346.00
Estes, Sylvia	10-8-08	33.44	4	\$350,451.00
Golesh, Sharon	10-22-08	98.86	9	\$1,343,507.00
Baum, John & Sandra	5-27-09	98.77	8	\$667,246.00
Knight, Barry & Paula	5-27-09	21.74	2	\$121,744.00
Sanford, William & Cheryl	8-12-09	14.39	2	\$159,729.00
Brumley, Judith & Ronald Spence	11-10-09	116.54	10	\$1,077,994.00
Bonnie B. Marrow Revocable Trust **	5-5-10	42.28	4	\$321,328.00
Baxter, Truman **	8-18-10	37.94	3	\$288,344.00
Sisters II, LLC **	12-8-10	65.47	4	\$331,714.00
White, Rufus & Barbara	12-8-10	179.43	16	\$1,212,150.00
Whale Wallow, LC	12-15-10	135.95	17	\$1,617,805.00
Whale Wallow, LC	12-15-10	110.97	12	\$1,290,666.00
Cocke, Richard & Clarke, Carol	1-26-11	40.46	4	\$449,106.00
Venable Real Estate, LP	2-23-11	70.49	7	\$535,724.00
Baum, Glenn, Donald & Kenneth	3-8-11	60.47	6	\$374,914.00
Knight, Barry & Paula	3-9-11	38.43	2	\$171,654.00
Styron, James & Phyllis	9-20-11	47.21	5	\$434,332.00

## ARP Properties Enrolled Since 1997 (continued)

Applicants	Closing Date	Acres Enrolled	Development Rights Acquired	Purchase Price
Knight, Barry & Paula	10/10/12	27.56	2	\$184,652.00
Horsley, Donald & Diane	3/20/13	82.66	7	\$484,594.00
Horsley, Donald & Diane**	3/20/13	112.48	9	\$616,594.00
Henley, G. W. & Henlely Farm, LP	5/1/13	98.92	4	\$1,107,904.00
Lawrence, Sidney & Burch, Karen	7/17/13	23.12	3	\$270,504.00
Betty D. Whitehurst Trust	3/25/15	42.26	4	\$344,842.00
Burroughs Family Revocablt Trust**	11/18/15	50.47	2	\$565,246.00
1907, LLC	8/3/16	62.45	10	\$1,011,690.00
My III Sons, LLC	9/7/16	101.61	11	\$680,787.00
My III Sons, LLC	12/7/16	83.76	8	\$461,611.00
My III Sons, LLC	12/7/16	45.95	2	\$142,444.00
Betty D. Whitehurst Trust	2/15/17	41.05	2	\$209,356.00
Gin-Phil, LLC	4/12/17	71.08	8	\$1,222,576.00
Chaplain Charity Neck Farms, LC	8/15/18	68.48	3	\$523,872.00
Chaplain Charity Neck Farms, LC	8/15/2018	53.26	4	\$543,252.00
My III Sons, LLC	9/5/2018	29.69	2	\$540,358.00
	<b>Totals:</b>	<b>9873.67</b>	<b>867</b>	<b>\$47,711,011.00</b>

\*\* Indicates easements that reimbursement funding from VDACS was received to help with acquisition costs. To date, \$1,431,388.66 has been received to help further local dollars for farmland preservation.

### Agricultural Reserve Program Map

