

## Regional Responsibility for Farm Land

By Susan Witt

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In 1981, Robert Swann, founding president of the Schumacher Center for a New Economics, helped to form the Community Land Trust in the South Berkshires. The Community Land Trust currently owns ten acres with four house sites clustered to intrude as little as possible on the remaining apple orchard. The offices of the Schumacher Center are housed on the land.

The Community Land Trust leases the house sites to individuals who build and own the homes on the land. Lessees may sell their homes, but only up to value equal to the replacement value of the house itself. The Community Land Trust retains an option to buy at this price. The objective behind this provision in the lease is to prevent speculation in land value.

The decentralist Ralph Borsodi called speculation "legal robbery." Henry George, the nineteenth century American economist, pointed to this ability to derive "unearned increment" from the land as the major economic cause of the increasing discrepancy between the rich and the poor. In his book *Progress and Poverty*, he shows how the ability to monopolize land, which all people need access to for housing and earning a living, can create prosperity for some and the illusion of progress, while at the same time the rising rents that build the prosperity lead to increased poverty for others.

Since the public at large creates the value in land because of its increased need to use it, it is the public at large that is being "robbed" when an individual is allowed to pocket the unearned increment for himself or herself. Borsodi distinguished what was created with human effort from what was "God given," and suggested that land and natural resources should be held in trust for the common good.

The Community Land Trust, whose membership is open to any resident of the region, is a quasi-public body whose objective is to retain the community created value in the land for the community benefit. But what does the Community Land Trust do with the moneys it collects in lease fees? It simply sets them aside to purchase additional land so that more of the public can benefit from democratic access to land.

There is sometimes a confusion between community land trusts and land conservation trusts. While both have a common concern with insuring that land is treated in ecologically sound ways, they differ in that community land trusts are primarily concerned with productive use of the land, while land conservation trusts are more concerned with preservation of ecologically sensitive land.

Increasingly in rural areas, both community land trusts (CLTs) and conservation trusts (LCTs) are recognizing their responsibility to farm land - the LCTs to insure that farm land is protected, and the CLTs to insure that farmers have access to land at a price that enables them to continue farming. This joint interest suggested a joint relationship between CLTs and LCTs. As a result, the Community Land Trust in the Southern Berkshires is helping to create a sister organization that will have the educational, charitable and ecological purposes of a land conservation trust. The legal arrangement for this relationship can help establish a formal pattern of cooperation between CLTs and LCTs.

Behind this concept of a joint working relationship lies an important tax consideration. Under IRS rulings, although CLTs are non-profit corporations, they cannot obtain a charitable status unless they are specifically limited to serving low income persons. While CLTs do provide access to land on a democratic basis to those who might not otherwise afford it, as broad based land reform organizations they effectively serve all people. The inability to receive tax-deductible gifts of land limits the CLTs in their ability to obtain land.

LCTs, on the other hand, while having tax-exempt status as preservation organizations, cannot grant equity in buildings or improvements on land which they own. For this reason, LCTs that acquire or are given valuable farm land usually place restrictions on the land so that it can only be used for agriculture and then sell it back on the open market. Such land frequently becomes just an open space backdrop in a suburban area. Few farmers can compete with homeowners in the area to purchase the land. It might be leased by the new owner to a farmer for haying, but it is rarely productively farmed. The end result of the charitable activity of the LCT is that a few are privileged to see the pretty rural scenery from their homes that have now increased in value because of the restriction on the neighboring land, but the broader public need for locally produced farm goods is not insured. Should the LCT hold onto the farm land and lease it itself, the farmer has little incentive to make improvements on the land because he or she would have no equity rights. Therefore the farmer plants the crop that will produce the highest yield in the shortest time - most often corn, one of the worst eroders of soil.

Under a special provision, IRS has provided that a "title holding corporation" may be linked to a charitable organization so that income producing property or assets of the charitable organization may be turned over to the title holding corporation for management. "Provided it returns all income over expenses" back to the parent corporation, the title holding corporation will also be deemed a charitable organization. Land conservation trusts have not made use of this provision before. However, with the suggestion of the Schumacher Center, the Ozark Regional Land Trust, 427 S. Main St., Carthage, MO, did apply for and received favorable ruling from IRS for the establishment of a charitable title holding corporation in connection with it. The tax designation for the title holding corporation is 501(c)(2).

The Community Land Trust in the Southern Berkshires plans to become the title holding corporation of the newly formed conservation organization that it is helping to create. The most important result of this relationship will be a combined effort to protect farm land. The LCT could purchase farm land or receive it as a gift, protecting its use by holding it in public trust. It could then turn over the productive land to its title holding corporation, placing agricultural restrictions on the farm land itself. The CLT would then lease the land to a farmer on a 99-year lease. The farmer could actually own the farm house and farm buildings. The CLT might allow for the construction of one or two new homes to give the flexibility of more than one farm family on the land. These provisions would be carefully spelled out in a land use plan that was registered with the lease, protecting the rights of the farmer and the farmer's heirs, but also protecting the ecological rights of the land. Because the farmer would have equity in any improvements on the land, the farmer would have positive economic incentives to farm in a sustainable manner, building the soil, planting perennials or orchards. The lease fee would be low enough for farm activity, but should the farmer stop farming, the lease would have to pass to another farmer, insuring the productive use of the land.

Under the present system of land ownership, farmers are encouraged to become land speculators. This is largely due to the fact that farm income is generally low relative to the constantly increasing cost of farm land. As farmers, especially older farmers, see the value of their land going up but their income remaining low, they are encouraged to sell the land, often to developers or land speculators, but seldom to younger farmers who cannot afford the high cost of the land. In this way, younger, would-be farmers are kept from doing not only what they want to do, but what the community needs them to do (i.e., raise food) in order for the community to become less dependent on sources of food outside the region. The new relationship between CLTs and LCTs will provide another private option for retiring farmers when considering the future of their farms.

Inevitably regional communities will have to assume some responsibility for insuring that farmers have an incentive to produce quality food and for protecting the soil from erosion and pollution from chemical pesticides. Both community land trusts and land conservation trust have been in some ways hampered by tax legislation from doing the full work that they should be doing. We feel that by implementing this new relationship, significant advantages will occur enabling the land trust movements to take a fuller role in bringing about, through private means, an ecologically responsible agriculture and greater self-reliance for regions.

"Socialist papers have often a tendency to become mere annals of complaint about existing conditions. The oppression of the laborers in the mine, the factory, and the field is related; the misery and sufferings of the workers during strikes are told in vivid pictures; their helplessness in the struggle against employers is insisted upon: and this succession of hopeless efforts, related in the paper, exercises a most depressing influence upon the reader. To counterbalance that effect, the editor had to rely chiefly upon burning words by

means of which he tries to inspire his readers with energy and faith. I thought, on the contrary, that a revolutionary paper must be, above all, a record of those symptoms which everywhere announce the coming of a new era, the germination of new forms of social life, the growing revolt against antiquated institutions. These symptoms should be watched, brought together in their intimate connection, and so grouped as to show to the hesitating minds of the greater number the invisible and often unconscious support which advanced ideas find everywhere, when a revival of thought takes place in society. To make one feel sympathy with the throbbing of the human heart all over the world, with its revolt against age-long injustice, with its attempts at working out new forms of life,—this should be the chief duty of a revolutionary paper. It is hope, not despair, which makes successful revolutions."

- Peter Kropotkin, *Memoirs of a Revolutionist*

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