

PECONIC LAND TRUST



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What's in a Farm House? Perhaps the Future of Local Farms

By John v.H. Halsey

At a time when the financial underpinnings of the world and the U.S. economy have been shaken to their core due to speculation, greed, and unfettered risk, along comes a 1930 foursquare, Prairie-style farm house in what was once simply a farming hamlet by the sea.

The farm on which this house sat for 80 years was torn asunder due, in part, to the same factors that nearly drove our country into another depression, and a tax structure that values land on its development potential rather than its use. Sold in order to pay over \$12 million in state and federal inheritance taxes, the farm has been carved up and the house built by Wallace Hildreth for the Percy Hedges family at the outset of the Great Depression was slated for the Dumpster.

Is there anything wrong with this picture?

To me, this farm house represents the soul of a farm and the families that worked the soil for generations. It also represents our wanton disregard of the recent past including, in this case, a well-built, structurally sound home intended to meet the practical, utilitarian needs of a local farm family, the Hedges, located on the very street that bears their family name. Are there houses of greater historic significance? Sure. Are there similar houses to this one in Sagaponack and beyond? Yes. Will they still be there in 30 years? Not at this rate.

The controversy over the relocation of this farm house to property owned by the South Fork Land Foundation, a supporting organization of the Peconic Land Trust, has been over the top with misplaced innuendo, untruths, and litigation.

In spite of intimations to the contrary, this is not about private benefit, or corruption; it is about a win-win situation that finds a home for the Hedges farm house, protects a farm field, and furthers our conservation efforts. Of course, getting the house to its final home has been problematic to the farmer who leases

the field and neighbors along the way. Soil has been compressed under the weight of the house, a berm was removed and restored, a few trees were cut down that will be replaced. Unfortunately, we live in a time when hard choices and compromises must be made -- and I believe that this is one we should live with.

In the end, my hope is that the farm house will be placed on its own 1-acre lot located about 650 feet west from where it had been for the past 80 years. As the Peconic Land Trust has indicated from the outset, the intent is that the farm house be sold, subject to a façade easement and other restrictions to ensure that its character is retained in perpetuity. It will be sited adjacent to the balance of the foundation's farmland parcel, about 9 acres, gifted in the 1970s with all of its development rights intact. Once completed, the foundation will permanently protect these acres by donating a conservation easement to a qualified conservation organization and/or appropriate public entity.

The proceeds from the sale of the farm house will be split by the Trust and the foundation to advance other conservation projects in the area. An acre here will enable us to conserve more acres there. In the case of the Trust, the funds will be used to make the final payment of \$700,000 to complete the purchase of the Hopping property in Sagaponack. But why should we care about that?

In August 2007, nearly 3 years ago, the Trust's Board of Directors authorized an \$8.23 million offer to purchase the 7.6 -acre Hopping property. Appraisals at the time indicated the property's value to be in excess of \$9 million. The specter of looming state and federal inheritance taxes was clearly a factor in the family's decision to put the property on the market. James B. Hopping, the patriarch of the family, accepted our offer and the process to line up the funds to purchase the property began in earnest.

Before long, however, the onset of the current recession challenged every aspect of the acquisition, including the availability of private and public funds as well as the value of the land itself. During this time, Mr. and Mrs. Hopping passed away and the Hopping family agreed to reduce the purchase price to \$6 million, to be paid in two installments, the first of which was completed on March 2nd, 2010.

With the help of a matching grant from the Northeast Land Trust Consortium of the Pew Charitable Trusts, we brought about \$1 million of private money to the closing from literally hundreds of people. Believe me, this was not an easy task given the current economy. With Suffolk County and Southampton Town purchasing the development rights on the property simultaneously, the

Trust paid \$5.3 million of the \$6 million purchase price, and the title to the land was conveyed to the Trust.

The \$700,000 balance must be paid no later than March 15th, 2011. Given the ongoing recession and donor fatigue, we recognize that the balance cannot be raised from the community. It is absolutely critical, however, that we complete the purchase. Indeed, the protection and sale of the farm house will help us do it.

When the final installment is paid to the Hopping family, the Trust intends to sell the restricted farmland to Jim and Jennifer Pike who have farmed it for the past 20 years. The land will be sold subject to additional restrictions with a preemptive right held by the Trust to ensure that this land will always remain available to farmers for agricultural production at affordable prices. These restrictions will devalue the property and enable the Trust to sell it to the Pikes at a price that farmers can afford. This will be a first for the Trust -- hopefully a model that we can replicate with other farmers on the East End, hence its critical importance.

In recent years, sales of protected farmland to non-farmers on the South Fork (at prices as high as \$200,000/acre) have driven up restricted land values to an unprecedented average of \$100,000 per acre, making it impossible for farmers to purchase. In addition, these non-farmer sales have dramatically increased the value of protected land within the taxable estates of land rich, cash poor farmers. Ironically, a farmer who owns 100 acres of protected farmland may have a taxable estate of \$10 million and may, of necessity, have to sell it to a non-farmer at inflated values in order to generate the funds necessary to pay state and federal inheritance taxes. This is an insidious outcome that has far-reaching implications for the future of farming on the South Fork - unless a solution is found.

By using a preemptive right with additional restrictions, the value of protected farmland is lowered to its "agricultural value," since subsequent sales of the farmland are limited to family members of the owner or other farmers, at a price consistent with comparable sales exclusively to farmers. The Trust will be required to review all prospective sales to ensure that the guidelines of the preemptive right are fulfilled. If need be, the Trust can also be the purchaser of last resort if the owner is unable to find a farmer to purchase the farmland.

So, what is in a farm house? Not only the soul of a farm and the families who worked the soil for generations, but also the story of a farm's demise in the face

of state and federal inheritance taxes. It is a reflection of attitudes that put little value on agriculture or our relatively recent past. Disposing of a structurally sound farm house by throwing it into a Dumpster says it all.

The protection and sale of this practical, utilitarian home built for the Hedges family in 1930 will not only enable the Trust to complete the Hopping acquisition, but also to test a new tool to enable farmers to hold onto their land in the face of state and federal inheritance taxes. Rather than demolish it, I prefer to use it as a means to ensure that protected farmland remains in agricultural production and affordable to local farmers now and in the future. All the while, there is an opportunity for 9 acres of adjacent farmland owned by the South Fork Land Foundation to be protected in perpetuity. While this effort isn't perfect, it is a win-win for the community and conservation.

All of this is in a farm house.

John v.H. Halsey is president of the Peconic Land Trust, based in Southampton.