



Oregon Agricultural Heritage Commission Meeting Agenda

Thursday, February 1, 2018

Room 1868

152 NW 4th St.

Prineville, OR 97754

Directions: <https://goo.gl/maps/VTzC9K84hWK2>

For each agenda item, the time listed is approximate. The commission may also elect to take an item out of order in certain circumstances. During the public comment period (Agenda Item I.), anyone wishing to speak to the commission about the Oregon Agricultural Heritage Program (OAHP) is asked to fill out a comment request sheet (available at the information table). This helps the commission know how many individuals would like to speak and to schedule accordingly. Persons are requested to limit their comments to three to five minutes. Written comments will also be accepted on any item before the board. Written comments should be sent to Nellie McAdams, nellie.mcadams@oregon.gov.

A. Welcome, Housekeeping, and Introductions (8:00 a.m.)

OWEB Executive Director Meta Loftsgaarden will welcome the commission and public, and describe the overarching purpose of the Oregon Agricultural Heritage Program. OWEB staff and OAHC Rulemaking Facilitator Liz Redon will explain housekeeping measures and facilitate brief introductions of all attendees. *Information item.*

B. Oregon Agricultural Heritage Program (OAHP) 101 (8:15 a.m.)

OWEB Executive Director Meta Loftsgaarden and OAHP Coordinator Nellie McAdams will present an overview of OAHP, including how and why it was created, and the grant programs and other features that are included in the statute. *Information item.*

C. Commission Visioning Exercise (8:25 a.m.)

OAHC Rulemaking Facilitator Liz Redon will lead the commission in exercises about their hopes, fears, and vision for OAHP. *Information item.*

D. Commission Logistics (8:45 a.m.)

Executive Director Meta Loftsgaarden and OAHP Coordinator Nellie McAdams will lead the commission through a discussion of logistics for today's and future meetings, including a discussion of meeting materials, support staff, public meetings law, and commissioner reimbursement for travel costs. *Information item.*

E. Rulemaking and Consensus Decision Making (9:00 a.m.)

OWEB Grant Program Manager Eric Williams will describe the rule making process and how rules differ from guidance. OAHC Rulemaking Facilitator Liz Redon will explain the purpose and process of consensus decision making and receive the commission's feedback on this goal for OAHC meetings. This discussion will be followed by an exercise in consensus decision making. *Information item.*

F. Commission Vote for Chair and Vice Chair (9:45 a.m.)

Executive Director Meta Loftsgaarden and OAHF Coordinator Nellie McAdams will describe the roles of these positions to administer meetings and votes of the commission. OAHF Rulemaking Facilitator Liz Redon will facilitate nomination and voting. *Action item.*

G. Break (10:15 a.m.)

H. Overview of OAHF Rulemaking (10:30 a.m.)

OAHF Rulemaking Facilitator Liz Redon will describe the overarching timeline of the rule making process and the tools that OWEB staff will use to help the commission achieve its goals, including a graphic depiction of the timeline and parking lots to capture ideas for future discussion. Executive Director Meta Loftsgaarden and OAHF Coordinator Nellie McAdams will explain the sample OAHF rule headers and how the commission might use this document in drafting OAHF rules. *Information item.*

I. Technical Committees and Membership (10:45 a.m.)

Executive Director Meta Loftsgaarden and OAHF Coordinator Nellie McAdams will describe the statutory provisions allowing the commission to appoint advisory or technical committees, and explain the staff recommendation of technical committees and committee membership. OAHF Rulemaking Facilitator Liz Redon will assist the OAHF Chair in facilitating a discussion and vote on the staff recommendation. *Action item.*

J. Public comment (11:30 a.m.)

The OAHF Chair will call members of the public who have signed up to give public comment to speak to the commission about OAHF.

K. Lunch (12:00 p.m.)

Lunch is provided for commissioners, OWEB staff, and invited guest presenters only.

L. OAHP Work Group and Statute Development (12:30 p.m.)

Guest presenters will describe the work group and additional efforts that designed and helped pass OAHP, followed by a question and answer period for the commission. Presenters are:

- Kelley Beamer: Executive Director of the Coalition of Oregon Land Trusts
- Mike Gerel: Director of Programs of Sustainable Northwest
- Dylan Kruse: Policy Director of Sustainable Northwest
- Laura Masterson: farmer and Director on the Board of Agriculture, OWEB's Board, and the East Multnomah Soil and Water Conservation District

Information item.

M. Succession Planning Rulemaking Overview (1:15 p.m.)

OAHC Rulemaking Facilitator Liz Redon will describe the goals of this rulemaking, including discussing the purpose, eligibility criteria, application process, and reporting requirements for Farm and Ranch Succession Planning Grants described under OAHP Sections 10(1)(g) and 10(2).

Information item.

N. Succession Planning Panel (1:20 p.m.)

OWEB staff and guest presenters will share information about farm and ranch succession planning, followed by a brief question and answer period for the commission. Presenters are:

- Nellie McAdams: OAHC Coordinator, describing Farm and Ranch Succession Issue Brief
- Jim Johnson: Interim Department Head, Senior Associate Dean, and Program Leader of Oregon State University College of Forestry's Department of Forest Engineering, Resources, and Management
- Tamara Cushing: Associate Professor at Oregon State University College of Forestry's Department of Forest Engineering, Resources, and Management

Information item.

O. Commission Discussion of Farm and Ranch Succession Planning Rule (1:40 p.m.)

Discussions by the full commission and small groups about the purpose, eligibility criteria, application process, and reporting requirements for Farm and Ranch Succession Planning Grants described under OAHP Sections 10(1)(g) and 10(2). *Information item.*

P. Final Summary and Next Meeting (3:15 p.m.)

OAHC Rulemaking Facilitator Liz Redon will summarize the meeting's accomplishments, summarize what needs to be accomplished between now and the commission's next meeting on Thursday, February 22, 2018, and describe the goals for that next meeting. *Information item.*



Roles and Responsibilities Oregon Agricultural Heritage Commission

Purpose

The Oregon Agricultural Heritage Program was established by the Oregon Legislature in 2017 to provide voluntary incentives to farmers and ranchers to support practices that maintain or enhance agriculture and natural resources on agricultural lands such as fish and wildlife habitat. The Oregon Agricultural Heritage Commission (commission) oversees the Oregon Agricultural Heritage Program and makes funding and policy recommendations to the Board of the Oregon Watershed Enhancement Board (OWEB).

The commission's responsibilities of oversight and management include drafting administrative rules for the OWEB Board's approval. These rules will establish grant applicant eligibility criteria, policies and priorities to be used in grant evaluation criteria, a grant evaluation process, and permissible terms for working land conservation covenants. The commission will also provide recommendations to OWEB's Board for funding from the Oregon Agricultural Heritage Fund for conservation management plans, working land conservation covenants and working land conservation easements, succession planning and technical assistance.

Membership

The commission consists of 12 members appointed by OWEB's Board, including 11 voting members and one member of OWEB's Board who serves as a non-voting ex officio member. Of the voting members:

- Four are recommended by the State Board of Agriculture who are actively engaged in farming or ranching, represent diverse types of agricultural commodities, and are from geographically diverse areas of Oregon
- One is recommended by the Director of the Oregon State University Extension Service
- Two are recommended by the State Fish and Wildlife Commission who have expertise regarding fish and wildlife habitat
- One is recommended by the State Board of Agriculture who has expertise in agricultural water quality
- One is recommended by the Land Conservation and Development Commission who has expertise in conservation easements and similar land transfers
- One is selected by OWEB's Board who is a representative of natural resource value interests
- One is selected by OWEB's Board who is a representative of Indian tribal interests

After staggering described in statute for their first terms, the terms of office of voting members is 4 years and is limited to 2 consecutive terms.

Chair and Vice Chair Roles and Responsibilities

The commission chair and vice-chair are selected by the commission from among its voting members. Duties and powers may be determined by the commission.

Commission Member Duties and Responsibilities

Members are expected to attend commission meetings. For the initial rule making meetings of the commission members will attend meetings in person may not participate remotely.

Committees

The commission may appoint temporary and permanent technical and advisory committees to assist the commission in development of administrative rules and performance of other functions. The commission will determine the representation, membership, terms, roles, responsibilities, and organization of any such committees.

In addition, the commission and the OWEB Board shall jointly appoint one or more technical committees to evaluate and rank grant applications for conservation management plans and working land conservation covenants and easements.

Administrative Support

Contracts, expenses, administration, and staff support shall be provided by OWEB.

Meetings

All scheduled meetings of the commission will follow the open public meetings law requirements as defined in ORS 192.610 to 192.690. The commission's rule-making will solicit input and collect information from interested parties from across the state. Meeting dates, agendas, materials, and minutes will be posted on the [OAHF webpage](#).

Each meeting for rule making from February until May of 2018 will be held at [Room 1868](#), at 152 NW 4th St, Prineville, Oregon from 8:00am until 3:30pm (with the exception of May 23).

Thursday, February 1

Thursday, February 22

Thursday, March 8

Thursday, April 5

Thursday, April 26

Wednesday, May 23 (noon – 5:00pm)

Thursday, May 24

After the completion of the rule-making process, the commission will meet at least once every 12 months at a time and place determined by OWEB and may meet at other times and places specified by the call of the chairperson or of a majority of the voting members, subject to the requirements of the open public meetings laws.

Facilitation

OWEB staff or their designees shall provide meeting facilitation for the rulemaking process.

Meeting Procedure and Parliamentary Authority

A majority of the voting members is considered quorum. The commission shall strive for consensus on matters and issues that are brought before it. In the absence of consensus, a vote may be taken governed by Robert's Rules of Order. The minutes shall reflect majority and minority positions.

Compensation of Members

All voting members of the commission may be reimbursed for travel and meeting expenses from the Oregon Agricultural Heritage Fund, but are not entitled to other compensation.

Website

The Oregon Watershed Enhancement Board has created a web page specific to the Oregon Agricultural Heritage Program. It can be found at www.oregon.gov/OWEB. Information includes the legislation creating the Oregon Agricultural Program and Commission (HB3249), a program overview, meeting materials, minutes, relevant reports, studies and other reference material provided to the commission. Information about opportunities for public involvement will also be posted on the website.

Records

The records of the commission are subject to the requirements of the Oregon Public Records Law, ORS 192.410 to 192.505. Minutes of the commission meetings shall serve as the official record of the meetings and shall be made available upon request. The commission shall determine the scope and content of the minutes. Meeting minutes will be posted on the commission website.



Sample OAHP Rule Headers – Agenda Item G

Purpose

This draft is one potential model for organizing the rules for the Oregon Agricultural Heritage Program (OAHP). The Commission, of course, may add, remove, or reorganize sections in the rules. For example, the draft rule headers below organize each grant program as a sub-section under one overarching rule for OAHP; however, the Commission might decide that separate rules for each of the grant programs.

Draft Headers

- Purpose
- Definitions – include definitions of
 - Conservation Management Plan (CMP) adapted from Land Acquisition rules definition
 - Profit, from Land Acquisition rules Definition OAR 695-045-0010
 - Match – percentage and whether of total project budget or OWEB’s contribution
- Oregon Agricultural Heritage Fund
- Oregon Agricultural Heritage Commission
- Grant Programs Established – summary of all grant programs and how they work together
- Conservation Management Plans
 - Application requirements (including OAR [695-005-0030](#))
 - Evaluation criteria
 - Use of Grant Funds
 - Grant Agreement Conditions (See OAR [695-040-0140](#) or OAR [695-010-0100](#))
- Easements and Covenants
 - Application requirements (including entity eligibility and OAR 695-005-0030)
 - Evaluation criteria
 - Use of Grant Funds
 - Subsequent conveyances (See OAR [695-045-0210](#))
- Technical Assistance
 - Application requirements (including OAR [695-005-0030](#))
 - Evaluation criteria
 - Use of Grant Funds
 - Grant Agreement Conditions (See OAR [695-040-0140](#) or OAR [695-010-0100](#))

- For the above:
 - Nature of the application
 - Match contribution (see OAR [695-045-0175](#))
 - Demonstration of understanding of landowner and project leader
 - Application evaluation process:
 - Technical review team appointment and review;
 - staff funding recommendation
 - OAH Commission Review Process
 - Board Funding Decision and Delegation of Authority
 - Director Funding Approval and Distribution of Funds (See OAR [695-045-0195](#))
 - Funding Decision Reconsideration (See OAR [695-045-0200](#))
 - Compliance and Enforcement (See OAR [695-045-0205](#))
- Succession grants
 - Eligibility Requirements
 - Application Process
 - Reporting Requirements
- Waiver & Periodic Review Process



Oregon Agricultural Heritage Commission Technical Committee Staff Proposal

Background

The following are proposals of OWEB staff to the OAH Commission for types of technical committees and committee membership that could serve the Commission in rulemaking for the Oregon Agricultural Heritage Program (OAHP). OWEB staff recommend that any technical committees convened for the purpose of rulemaking be temporary and that they end after OWEB's Board adopts the final rules.

The Commission will be asked to vote on technical committees and their membership at their February 1, 2018 Commission meeting. The Commission may create or dissolve committees or change committee membership at any time.

OAHP Context Technical Committee

This proposed Technical Committee would provide context for the creation of OAHP and its various grant programs. Most of the proposed members served on the OAHP work group which developed the bill. The OAHP work group's extensive discussions about features of the bill (such as the ranking of conservation management plans and working lands covenants and easements) were not fully encapsulated in the bill's text. An OAHP Context Technical Committee would be one way for the work group to share their insights with the Commission. The Commission might call this technical committee to present any of its rulemaking meetings.

Kelley Beamer: Executive Director of the [Coalition of Oregon Land Trusts \(COLT\)](#) and OAHP work group member

Mary Anne Cooper: Public Policy Council at [Oregon Farm Bureau](#) and OAHP work group member

Mike Gerel: Director of Programs/Water Program Director at [Sustainable Northwest](#) and OAHP work group member

Dylan Kruse: Policy Director at [Sustainable Northwest](#) and OAHP work group member

Laura Masterson: Oregon Board of Agriculture member, OWEB Board member, [East Multnomah Soil & Water Conservation District](#) Director, and farmer at 47th Avenue Farm

Jerome Rosa: Executive Director of the [Oregon Cattlemen's Association](#) and OAHP work group member

Jay Udelhoven: Executive Director of [East Multnomah Soil and Water Conservation District](#)

Conservation Management Plan Technical Committee

The proposed members of a Conservation Management Plan Technical Committee have experiential knowledge of the features of conservation management plans, existing funding sources for drafting and implementing plans, and considerations for paying landowners annually over 20-50 years to implement plans. This proposed technical committee could be called to present before the Commission discusses conservation management plan rules on Thursday, February 22 and Thursday, March 8.

Amy Charette: Watershed Restoration Coordinator at the [Confederated Tribes of the Warm Springs Reservation of Oregon](#), John Day Basin Office

Mike Gerel: Director of Programs/Water Program Director at [Sustainable Northwest](#) and OAHF work group member

Laura Masterson: Oregon Board of Agriculture member, OWEB Board member, [East Multnomah Soil & Water Conservation District](#) Director, and farmer at 47th Avenue Farm

Staff TBD: at the [Natural Resources Conservation Service \(NRCS\)](#)

Tom Salzer: General Manager of the [Clackamas Soil and Water Conservation District](#)

Working Land Covenants and Easements Technical Committee

The proposed members of a Working Land Covenants and Easements Technical Committee have experiential knowledge of programs that provide match funding for these projects, the features of covenant and easement agreements, the differences between termed easements (covenants) and permanent easements, associated project costs, and the ranking of projects. This proposed technical committee could be called to present before the Commission discusses the covenant and easement rules on Thursday, April 5 and Thursday, April 26.

Kelley Beamer: Executive Director of the [Coalition of Oregon Land Trusts \(COLT\)](#) and OAHF work group member

Katherine Daniels: Retired Farm and Forest Lands Specialist at the [Oregon Department of Land Conservation and Development](#)

Laura Masterson: Oregon Board of Agriculture member, OWEB Board member, [East Multnomah Soil & Water Conservation District](#) Director, and farmer at 47th Avenue Farm

Dan Roix: Conservation Director at [Columbia Land Trust](#)

Loren Unruh: Assistant State Conservationist – Programs – at [NRCS](#)

Bari Williams: Easement Program Specialist at NRCS

Technical Assistance Technical Committee

The proposed members of a Technical Assistance Technical Committee have experiential knowledge about how this grant program could best assist current or potential holders of conservation management plans, easements, or covenants with capacity building, program development, and outreach. This proposed technical committee could be called to present before the Commission discusses the technical assistance rules on Wednesday, May 23 and Thursday, May 24.

Amy Charette: Watershed Restoration Coordinator at the [Confederated Tribes of the Warm Springs Reservation of Oregon](#), John Day Basin Office

Jay Gibbs: John Day/Umatilla and Snake River Basin Team Leader at [NRCS](#)

Laura Masterson: Oregon Board of Agriculture member, OWEB Board member, [East Multnomah Soil & Water Conservation District](#) Director, and farmer at 47th Avenue Farm

Brad Paymar: Northwest Senior Program Manager at [Land Trust Alliance](#) (conditioned upon organizational approval)

Dan Roix: Conservation Director at [Columbia Land Trust](#)

Tom Salzer: General Manager of the [Clackamas Soil and Water Conservation District](#)



Issue Paper: Farm and Ranch Succession Trends and Resources in Oregon

Problem Statement

Farming and ranching is an important sector of Oregon's economy and is a livelihood for many people in rural Oregon. In addition, farm and ranch land is an important part of Oregon's cultural and ecological landscape, contributing to fish and wildlife habitat and other ecosystem services. Yet one-quarter of Oregon's agricultural land will change hands in the next two decades, and it is uncertain who will manage it and how it will be used. This is because the average age of farmers and ranchers is higher than ever (60), yet up to 84% might not have a clear plan for succession. As a result, Oregon farms and ranches may be converted to non-agricultural uses such as subdivisions, vacation homes, and other forms of development.

The Oregon Agricultural Heritage Commission (OAHC) and the Board of the Oregon Watershed Enhancement Board (OWEB) are charged with considering how to best provide assistance to current and prospective farmers and ranchers to reduce the loss of agricultural land due to poor succession planning. Section 10 of the statute directs the OAHC to:

- (1)(g) Provide **funding recommendations to the Legislative Assembly, or recommendations for grant funding to the board**, to provide training and support to owners of working land, or persons advising owners of working land, regarding succession planning for the lands.
- (2) The commission's recommendations for funding under subsection (1)(g) of this section may include recommendations for funding succession planning programs through the **Oregon State University Extension Service only if the university has presented the commission with a program proposal for review**. If a commission recommendation for funding succession planning programs through the university extension service is adopted, the university shall provide the commission with an annual report regarding each program.

Oregon State University's (OSU's) Extension program currently offers succession planning curriculum called Ties to the Land. This curriculum was developed for small woodlands owners who are transitioning their forest land to the next generation, but it has been used by many farm families as well. Today the commission will hear presentations about this program by representatives of OSU's College of Forestry.

Decision Statement

Today, the commission will be asked to discuss what a farm succession grant program needs to offer. They will discuss the purpose, eligibility requirements, application process, and reporting requirements for this grant program. The commission will be presented with draft language between today and the next meeting on Thursday, February 22, at which they will be asked to vote on the draft recommended rule language

Appendix A: Summary of Succession Challenges in Oregon

How Agricultural Land is Changing Hands in Oregon

One-quarter of Oregon’s 63 million acres is in agricultural production (16.3 million acres).¹ Over the next 20 years, **64% of this land (10.5 million acres) will change ownership**. This is because the average farmer and rancher in Oregon has never been older – 59.6 in 2012 – and many of them will sell land for retirement or pass it in their estate. Meanwhile, the number of beginning farmers and ranchers is shrinking, with the percentage declining from 32% of all farmers in 2002 to 24% in 2012.

Who will own that land and how it will be used in the future is uncertain, since researchers estimate that the vast **majority of farms and ranches do not have a succession plan**. This estimate comes from the fact that 84% of Oregon farms and ranches are sole proprietorships – not organized as a business entity. One of the first things that an attorney will do when a client begins succession planning is organize the business as a Limited Liability Company, Corporation, etc. Therefore, it is assumed that most of these businesses have not begun the process.

Meanwhile, **the price of agricultural land in Oregon and around the U.S. is rising**, increasing the value of farm and ranch estates, and making it more difficult for beginning farmers and ranchers to acquire land. For example, actual sales of irrigated land with associated housing averaged nearly \$30,000 per acre in Clackamas County and \$20,000 per acre in Washington County from 2010 to 2015. Land prices in Eastern Oregon are not as high as in the Willamette Valley, but they are increasing at a rapid rate. For example, appraised agricultural land prices in Grant County more than doubled between 2002 and 2012 from \$391 to \$804 per acre.

Increasing prices of agricultural land is attributed, in part, to increasing demand from non-agricultural purchasers of land. Agricultural land is often a better long-term investment than the stock market, incentivizing investment companies to buy this land. Land is also purchased by development speculators, who hold the land with the hope that the Urban Growth Boundary will someday encompass it. And “amenity owners” who enjoy the surroundings but do not use the land productively are also purchasing and fragmenting land, increasing demand and price.

To summarize, the large amount of land coming on the market as the aging farmer and rancher population retires or passes away will be expensive, and **there might not be easy avenues for ownership of the land by beginning farmers and ranchers** – whether or not they are family members.

¹ All data in this section is from Brekken, C.A., et al. *The Future of Oregon’s Agricultural Land*. Corvallis: OSU, 2016.

What are Succession and Estate Planning?

Succession planning helps ensure the continuity of business leadership between generations. It includes identifying and preparing new leaders who can replace old leaders when they leave, retire, or pass away, and it takes into account the goals of the elder leaders (e.g. retirement), new leaders (e.g. income generation), and the business (e.g. viability, resilience and adaptability). In a family business, it also includes **estate planning** - preparing for the transfer of the elder leader's assets after his or her death. In short, succession planning involves more than a will and trust. It's a process, that includes:

- Identifying the **goals** of current and future leaders, as well as their families
- Addressing and resolving **family disputes**
- Planning for the elder leader's **retirement**
- Managing risk and saving assets with **insurance** policies (e.g. life and long-term care)
- Identifying and training and assisting the **next generation**
- Deciding what each of the **heirs** will receive
- Minimizing federal and state **estate and income tax** liability, including gift planning
- Ensuring **business viability**

A family's succession team might include these professionals:

- Attorney
- Accountant
- Banker Financial advisor
- Realtor
- County assessor
- OSU Extension
- Family counselor or mediator
- Friends and neighbors

Why is Succession Planning More Difficult for Farmers and Ranchers?

Succession planning is difficult for all family businesses, but it can be especially challenging for farm and ranch businesses.

The process is long, complicated, and expensive. Many people find it difficult to begin succession planning because it forces them to think about their mortality or to address difficult family dynamics. Many small business owners have a difficult time prioritizing this long-term planning among their daily tasks. Farmers and ranchers who operate on slim and unpredictable margins find it difficult to justify the cost. Moreover, succession planning requires families to have challenging discussions and address old disputes, which can be a difficult process to initiate and persevere through without professional assistance from a family mediator or counselor, which can also be expensive.

Farmers and ranchers often benefit from **events** that encourage them to start thinking about planning, and from **personalized family counseling** to address difficult emotional and financial issues before they see their attorney, accountant, and/or financial advisor.

Some families do not have a successor in the family and are reluctant to look outside the family for future leadership. Even if they have a successor in the family, farmers and ranchers think of their profession as their identity and often envision dying on the tractor or in the saddle. This might make them reluctant to train and empower successors to take leadership roles within a meaningful timeframe, leaving them unprepared to operate the business when the leader dies.

Emotion plays a similar role with agricultural real estate. A farm or ranch is unlike most other family businesses in that it is dependent upon particular locations. For example, a widget factory can relocate as needed, but agriculture is dependent upon particular soil, water, and climate as well as infrastructure such as transportation, processing, or equipment support. The land not only supports the business, but has emotional and recreational values to each family member. It supports production and is the location of business infrastructure, but it also is often the site of the family homestead, and streams and woodlands used for fishing and hunting. Emotions can run high during estate planning and administration, because each family member has different, deep, and sometimes conflicting ties to the land.

Additionally, as agricultural land prices continue to rise in Oregon and across the United States, it becomes more difficult for many farm and ranch families to divide their estates between their heirs. Farms and ranches are often land-rich and cash-poor, but farmers and ranchers often want to divide their estate's value evenly between their children. An heir who wants to farm must either take on significant debt to pay off his or her siblings to compensate for their larger portion of the estate, or sell off land and farm assets, hamstringing the business into the future.

Potential Results of Poor Succession Planning

When someone dies without a will or trust, the estate is divided among the person's heirs, as determined by state law. When this happens, assets are assessed and divided through the court system. Heirs might dispute the value of the assets and/or who receives which asset.

If the person who died (the decedent) without a will owned a family business, most business assets also pass through this process. When a family member wishes to continue the business, it can be even more difficult for families to agree on who receives which assets and their value. When a decedent does not create a will giving the business assets to a particular heir, or giving a greater value of assets to the farming heir than to non-farming heirs, the farming heir must negotiate for these assets. This often results in increased legal costs for the estate and all heirs. In addition, if descendants inherit an undivided interest in a farm or ranch, those interested in continuing the business must find a way to buy out disinterested inheritors.

If the decedent does not plan, the estate might also owe significant Oregon estate tax. Estates worth over \$1 million owe Oregon estate tax. Most farm and ranch estates include millions of dollars of assets in land alone. Oregon's Natural Resources Tax Credit offers relief from this tax if more than half of the gross estate is in qualified agricultural, fishing, or forestry assets. However, the decedent or their family members must have operated the business for 5 of the 8 years prior to the decedent's death, and the assets must be operated by the decedent's family members for 5 of the following 8 years. Families that have not prepared to use this credit, or decedents who pass the land to non-family members, might not be able to use this credit.

In short, when there is no succession plan, there is a higher likelihood of:

- Family strife, as families and courts divide the assets
- Higher costs through attorney fees and Oregon estate tax
- Less likelihood that a beginning farmer or rancher, family or otherwise, will own the assets and operate the business

And thus a greater likelihood of the land being converted to non-agricultural uses.

Appendix B: Succession Planning Resources in Oregon

Austin Family Business Program² at the Oregon State University College of Business prepares family businesses to balance the well-being of the business, the family and individuals in day-to-day decision making and during succession. The program offerings include:

- **Family Business 360° Events** 1.5-hour breakfasts covering current family business issues
- **Excellence in Family Business Awards** competitive peer-reviewed awards for family-owned businesses across all industries, regardless of size or revenue
- **Family Business Advisor List** of attorneys, accountants, counselors, and more, built solely from the recommendations of Excellence in Family Business winners and finalists.

University Courses for Students and Community Members, include:

- Chemeketa Community College Agribusiness Management Class³
- Oregon State University courses for undergraduates who anticipate inheriting a farm.

Northwest Farm Credit Services (FCS)⁴ offers:

- Online succession guides and webinars
- Business consultants for smaller issues – free to customers
- One-day succession workshops and multi-day succession retreats
- One-on-one consulting resources from Northwest FCS and third-parties for a fee.

Oregon State Bar Referral Service⁵ connects people with attorneys throughout the state.

Oregon State University Extension:

- **Ties to the Land**⁶ OSU Extension’s curriculum for forest succession planning, which it describes as “the human side of estate planning.” Materials are also applicable to farm and ranch businesses. Interactive curriculum utilizes videos, exercise, and a workbook.
- Some individual Extension agents advise or direct farmers toward resources for succession planning. Extension also occasionally receives grants for workshops.

Rogue Farm Corps⁷ offers on-farm, hands-on internships and their Farm Preservation Program helps Oregon farmers and ranchers preserve land from development and pass it to the next generation via research, succession and land access workshops, and outreach.

Oregon Small Business Development Center (SBDC) Network⁸ – 19 throughout the state, offer one-on-one counseling and workshops for business and succession planning. The Network is developing a focus area on farm and ranch business and succession planning.

² <http://business.oregonstate.edu/familybusinessonline>

³ <https://www.chemeketa.edu/programs-classes/training-certificates/agribusiness-management/>

⁴ <https://www.northwestfcs.com/Resources/family-business>

⁵ <https://www.osbar.org/public/ris/>

⁶ <http://tiestotheand.org/>

⁷ <http://www.roguefarmcorps.org>

⁸ <https://bizcenter.org/>



Oregon Agricultural Heritage Commission

Thursday, February 1, 2018

OAHP Purpose

Develop voluntary tools to keep lands in farming and ranching to support:

- ▶ Oregon's economy;
- ▶ healthy rural Communities; and
- ▶ healthy fish and wildlife and other natural resources

Why Focus on Working Lands?

- ▶ Oregon's second-largest **economic** driver - \$5.4 billion
- ▶ Agricultural lands support valuable **fish and wildlife habitat** and enhance other **natural resources**
- ▶ Cornerstone of state's **rural communities**
- ▶ Oregon's land use **laws are not enough** to protect farms and ranches from fragmentation

Goals

- ▶ Incentives to **keep farms and ranches in production**
- ▶ Incentives to **support fish, wildlife or other natural resource values**
- ▶ Flexible approaches that are **tailored to individual landowners**
- ▶ **Balance** landowner and conservation needs
- ▶ **Leverage federal money** mostly untapped in Oregon

Statutory Programs

Provides funding for:

- ▶ Farm and ranch succession planning
- ▶ Permanent working land easements
- ▶ 20-50 year working land covenants
- ▶ Conservation management plan implementation
- ▶ Technical Assistance for organizations

Study of tax related and other financial barriers to farm and ranch land transfer

Statutory Administration

- ▶ Oregon Agricultural Heritage Fund for grant programs
- ▶ Oregon Agricultural Heritage Commission to oversee program development and investments

Timeline

September, 2017

Hired Staff

October, 2017 - January, 2018
appointments

Administered OAH Commission

February - May, 2018

Draft rules

July, 2018

Public comment on rules

August, 2018

Revise rules based on public comment

August - November, 2018

Call for project prospecti

October, 2018

OWEB Board vote on rules

February, 2019

Legislative Session

Commission Visioning Exercise

- ▶ Write down what about OAHP or being on the commission
 - ▶ is most exciting to you
 - ▶ gives you most fear or concern
- ▶ Share the biggest, can't-miss opportunity about OAHP

Meeting 1 Agenda

- ▶ 8:00 a.m. - Welcome & Housekeeping
- ▶ 8:15 a.m. - OAHP 101
- ▶ 8:25 a.m. - Commission Exercise
- ▶ 8:45 a.m. - Logistics
- ▶ 9:00 a.m. - Rulemaking and Consensus Decision Making
- ▶ 9:45 a.m. - **Vote** for Chair and Vice Chair
- 10:15 a.m. - BREAK
- ▶ 10:30 a.m. - Overview of OAHP Rulemaking
- ▶ 10:45 a.m. - Technical Committees, **Vote**
- ▶ 11:30 a.m. - Public Comment
- Noon - LUNCH
- ▶ 12:30 p.m. - OAHP Work Group presentation
- ▶ 1:15 p.m. - Farm Succession Planning Panel
- ▶ 1:40 p.m. - Farm Succession Planning Rulemaking
- ▶ 3:15 p.m. - Next Steps and Wrap Up

Consensus Decision Process

Reflecting on past experience(s) with consensus....what word comes to mind?

Consensus Decision-Making

IS:	IS NOT:
Creative & dynamic approach to problem solving	The preference of a majority
Inclusive & participatory to general agreement	Unanimous agreement/Complete agreement
Focus on process to decision, not just results	Necessarily first choice

Consensus Decision Voting



Thumb up: full agreement with the alternative - it is your preferred choice



Thumb side: can support and live with the alternative, but is not your preferred choice



Thumb down: can neither live with nor support the alternative

Process Pattern

Introduce

- Succession Planning
- Conservation Management Plan
- Working Lands Easements & Covenants
- Technical Assistance

Learning & Discussion

- Presentations
- Issue Briefs
- Guest Presenters or Technical Committees
- Commission information sharing

Synthesis & Decision

- Small Group Work
- Consensus Process
- Vote at Following Meeting

Consensus Practice



Authority to Create Technical Committees

Section 9(2)

- ▶ The commission may establish any advisory or technical committee the commission considers **necessary to aid and advise the commission in the performance of its functions**.
- ▶ The committees may be **continuing or temporary** committees.
- ▶ The commission shall determine the representation, membership, terms and organization of the committees and shall **appoint the members** of the committees.
- ▶ The commission **chairperson shall be a nonvoting member** of each committee.

Staff Recommendation: Technical Committees

1. OAHP Context
2. Conservation Management Plans
3. Working Land Easements and Covenants
4. Technical Assistance

OAHP Context

- ▶ Kelley Beamer - Coalition of Oregon Land Trusts
- ▶ Mary Anne Cooper - Oregon Farm Bureau
- ▶ Mike Gerel - Sustainable Northwest
- ▶ Dylan Kruse - Sustainable Northwest
- ▶ Laura Masterson - OWEB Board, Board of Agriculture, East Multnomah SWCD
- ▶ Jerome Rosa - Oregon Cattlemen's Association
- ▶ Jay Udelhoven - East Multnomah Soil and Water Conservation District

Conservation Management Plans

- ▶ **Amy Charette** - Confederated Tribes of the Warm Springs Reservation
- ▶ **Mike Gerel** - Sustainable Northwest
- ▶ **Laura Masterson** - OWEB Board, Board of Agriculture, East Multnomah SWCD
- ▶ **Tom Salzer** - Clackamas Soil and Water Conservation District
- ▶ **Staff TBD** - Natural Resources Conservation Service

Working Land Easements & Covenants

- ▶ Kelley Beamer - Coalition of Oregon Land Trusts
- ▶ Katherine Daniels - Retired Department of Land Conservation & Development
- ▶ Laura Masterson - OWEB Board, Board of Agriculture, East Multnomah SWCD
- ▶ Dan Roix - Columbia Land Trust
- ▶ Loren Unruh - Natural Resources Conservation Service
- ▶ Bari Williams - Natural Resources Conservation Service
- ▶ Tom Salzer - Clackamas Soil and Water Conservation District

Technical Assistance

- ▶ **Amy Charette** - Confederated Tribes of the Warm Springs Reservation
- ▶ **Jay Gibbs** - Natural Resources Conservation Service
- ▶ **Laura Masterson** - OWEB Board, Board of Agriculture, East Multnomah SWCD
- ▶ **Brad Paymar** - Land Trust Alliance
- ▶ **Dan Roix** - Columbia Land Trust
- ▶ **Tom Salzer** - Clackamas Soil and Water Conservation District

OAHP Work Group

- ▶ Kelley Beamer - Coalition of Oregon Land Trusts
- ▶ Mary Anne Cooper - Oregon Farm Bureau
- ▶ Mike Gerel - Sustainable Northwest
- ▶ Derek Johnson - The Nature Conservancy
- ▶ Doug Krahmer - Farming Representative
- ▶ Dylan Kruse - Sustainable Northwest
- ▶ John O'Keeffe - Ranching Representative
- ▶ Jerome Rosa - Oregon Cattlemen's Association
- ▶ Jay Udelhoven - East Multnomah Soil and Water Conservation District

Farm/Ranch Succession Planning Statutory Authority

Section 10(1)(g) Provide:

- ▶ funding recommendations **to the Legislative Assembly**, or recommendations for grant funding **to the board**,
- ▶ to provide **training and support**
- ▶ to **owners of working land**, or **persons advising owners** of working land, regarding succession planning for the lands.

Section 10(2) The commission's recommendations for funding under subsection (1)(g) of this section may include recommendations for funding succession planning programs through the **Oregon State University Extension Service** only if the university has presented the commission with a **program proposal** for review. If a commission recommendation for funding succession planning programs through the university extension service is adopted, the university shall provide the commission with an **annual report** regarding each program.

Farm/Ranch Succession Planning Rules Discussion Topics

- ▶ Purpose
- ▶ Eligibility Criteria for Projects
- ▶ Application Process
- ▶ Reporting Requirements

“Working Lands”
Encompasses More Than

25%

of Oregon’s
63 Million Acres



■ Agricultural Lands

Over the Next 20 Years,

64%

of Oregon's
Agricultural Lands
Will Change Hands

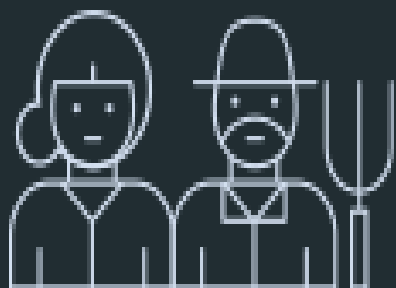


The average age of farmers has never been higher. The number of beginning farmers and ranchers is shrinking.

Current Average is

60

Years of Age



Beginning Farmers
Encompass

24%

of All Farmers &
Ranchers (2012)

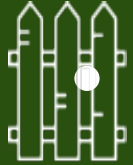
84% of Oregon farms are sole proprietorships,
suggesting they have not done thorough planning for succession.



Farm Succession Planning Challenges

- **Having interested successors**
- **Where to start**
- **Emotional and financial overwhelm**

As a Result, Parcelization, and Non-Farmer Ownership Occur



• More Fragmented Into Parcels



Converted to Non-Farm Uses



Harder for Beginning Farmers



Oregon State University Ties to the Land Program

Oregon State University College of Forestry's
Department of Forest Engineering, Resources,
and Management

- ▶ **Jim Johnson** - Interim Department Head,
Senior Associate Dean, and Program Leader
- ▶ **Tammy Cushing** - Associate Professor

Farm/Ranch Succession Planning Rules Discussion Topics

- ▶ Purpose
- ▶ Eligibility Criteria for Projects
- ▶ Application Process
- ▶ Reporting Requirements