

BY Debra Wolf Goldstein, Esq.

Anatomy of a Deal:

A MIX OF FUNDING SOURCES SAVES A HISTORIC FARM

A wide array of funding tools—some traditional and some innovative—were tapped to protect Erdenheim Farm, a 450-acre swath of open space in Montgomery County, Pennsylvania, just outside Philadelphia. When the farm's long-time owner died in 2006, many feared that the sprawling cattle and sheep farm would go the way of other open land in the area and be carved into tract housing. But sophisticated deal-making and creative financing by dedicated local volunteers, a regional land trust, and a supportive township raised \$26 million dollars, allowing the farm to be protected forever.

When the owner, F. Eugene Dixon, sold 54 acres of the farm for a retirement community in 1999, grave concerns arose about the future of the property. Discussions between the developer and varied organizations led to a legally binding Community Agreement, with interested parties agreeing to support development of the retirement complex if:

- A nonprofit 501(c)(3), the Whitemarsh Foundation, were formed with the mission of preserving the remainder of the farm and its buildings.
- The Dixon estate would grant the foundation an option to purchase 97

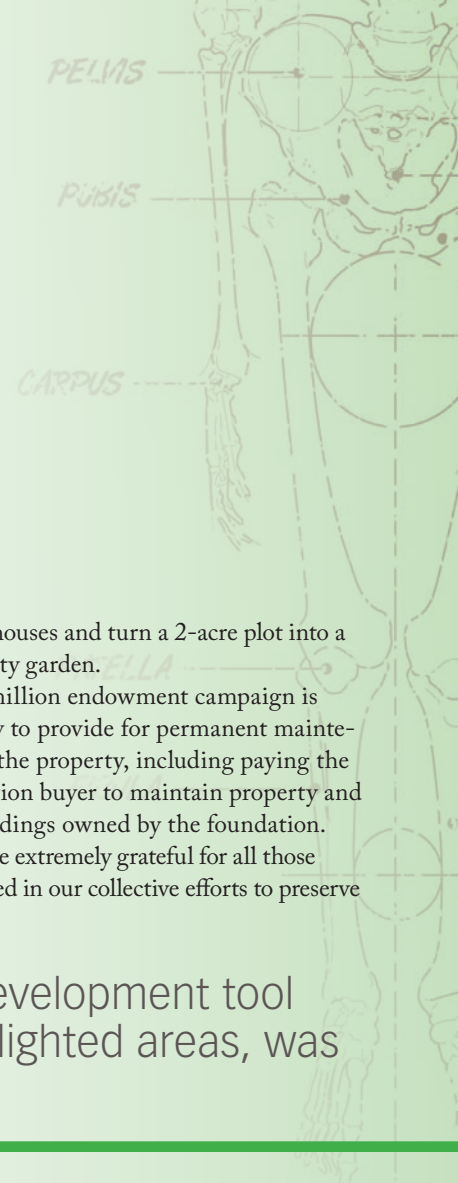
acres of the farm upon Mr. Dixon's death. (The foundation subsequently purchased an additional large portion of the farm.)

The Whitemarsh Foundation's first fundraising event was a golf tournament, which is sponsored by and moves annually among three golf clubs in the area. One challenge, says Kim Sheppard, executive director of the foundation, was how to raise significant funds without offending the owner's family by making it look like they were about to sell off the cherished landscape to developers. On the advice of a fundraising consultant,

the foundation decided to pursue public funding rather than private funding. This is how the funding pieces came together:

1 Montgomery County's open space program contributed \$4 million, and the Pennsylvania Department of Conservation and Natural Resources gave the project a \$1 million grant. Natural Lands Trust, a regional land trust based in Media, Pennsylvania, assisted the foundation by serving as the grant applicant for state funding.

2 Local citizens formed a political action committee (PAC) to lobby Whitemarsh Township to put on its Election Day ballot the question of an 0.25% earned income tax dedicated to open space acquisition, as allowed by a 1996 Pennsylvania law. This one-quarter of 1% tax increase, which was approved by 63% of township voters, supported issuance of a \$20 million bond that will be paid back with the earned income tax stream. At the urging of the Whitemarsh Foundation, half of this amount (\$10 million) was allocated to preserve Erdenheim Farm.



3 Tax increment financing (TIF), a redevelopment tool traditionally used to spur development in blighted areas, was used in a novel way. The process typically works by providing public sector loans to developers who rehab derelict areas, with the loans being paid off from new tax revenue generated by the development. At Erdenheim Farm, a TIF zone was created that comprised a blighted psychiatric hospital adjacent to the farm and the parcel upon which the retirement community was to be located. The estimated \$1.1 million in property taxes that the new retirement community would generate each year was then allocated to *preserving open space* on the rest of the farm, rather than having that tax money go to its traditional recipients: the local school district, county and township. The foundation was able to convince the school district, which would have received the lion's share of the new property taxes, to forego much of those monies for up to 20 years by showing how preserving the farm would stabilize the school-age population and lower the school district's costs.

4 One of the final pieces of the funding puzzle came from a large fine assessed against a pharmaceutical company that had mistakenly dumped pollutants into the nearby Wissahickon Creek several years before. After protracted negotiations, the company paid a \$9 million fine, half of which was allocated towards preservation of the farm.

5 One million dollars was raised privately to cover transaction costs.

As fundraising was drawing to a close, the preservation plan changed when a conservation buyer expressed interest in buying a portion of the farm for agricul-

tural purposes. In a complicated, 10-way deal concluded in June 2009, the conservation buyer purchased a number of parcels, including 117 acres that had been willed to Natural Lands Trust by a previous owner, but which were not permanently protected. A condition of the purchase was that the buyer place a conservation easement on all the land he purchased

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(except for several acres surrounding the residence). According to Molly Morrison, president of Natural Lands Trust, “We were only interested in selling the land if it would lead to a conservation solution for the *entirety* of the farm. We also required the buyer to allow public trails to be built along designated perimeters of the property.” The land trust then used the proceeds from the sale of its land to purchase a conservation easement over an adjacent parcel that had been retained by a Dixon heir. Finally, the Whitemarsh Foundation placed conservation easements on all land it had purchased.

Now that the farm is permanently preserved, trails will be built on the property that will connect to the county trail system and lead to a nearby state park and miles of trails in Philadelphia's Fairmount Park. As a condition of public funding, the foundation also will ease land to the township for a small dog park, will let the school district establish an environmental education center in one of

the farmhouses and turn a 2-acre plot into a community garden. A \$5 million endowment campaign is underway to provide for permanent maintenance of the property, including paying the conservation buyer to maintain property and farm buildings owned by the foundation. “We are extremely grateful for all those who helped in our collective efforts to preserve

Erdenheim Farm and very proud of all that we have accomplished,” says Whitemarsh Foundation Chair Hugh Moulton. The take-away lessons for others trying to structure complex land preservation deals?

- Get local municipalities on your side by showing how the transaction makes economic as well as environmental sense;
- Make sure local and state politicians are aware of what you are trying to do (one of them alerted the Whitemarsh Foundation about the availability of the environmental fine monies); and
- Enlist savvy community leaders, be flexible, and persevere! 🍀

FOR MORE INFORMATION ON ERDENHEIM FARM VISIT WWW.WHITEMARSHFOUNDATION.ORG OR CALL KIM SHEPPARD AT 610-828-5351.

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