

# As farm and timberland disappears, valley looks for solutions

By [William L. Spence](#), 07/13/2003, The Daily Inter Lake



In an area that once grew wheat, a new house goes up in the foreground as a worker mows weeds in a subdivided field west of Kalispell last week. Between 1992 and 1997 about 22 percent of the available farmland in Flathead County has been taken out of production.

[Robin Loznak](#)/ Daily Inter Lake

The requests have been coming in for many years now, more rapidly in recent months, and they're changing the face of the Flathead.

There was a zone change request for 60 acres near Bigfork in February.

In March, it was a preliminary plat on 105 acres near Marion.

April saw a subdivision proposed on 72 acres in Creston.

In May, it was a 41-acre project in the Lower Valley. In June, it was 9 acres near Bigfork, 20 acres near Somers, and a 289-acre zone change north of Kalispell.

This month, it's another 100-acre zone change in the Lower Valley, along with two more subdivision plats.

And so it's goes: We are eating the elephant, one bite at a time.

Over the last 30 years, we've swallowed a huge chunk of farmland and timberland in the Flathead Valley — more than 170,000 acres in all, chewed and gnawed and subdivided into smaller, more digestible pieces.

That isn't the full menu, either. It's only what was split into new lots.

As a kind of side dish to the main course, existing lots were sold off as well, removed from natural resource production and turned into someone's little slice of Paradise, another dream-come-true in rural Montana.

Figures for timberland aren't readily available, but during the 5-year period from 1992 to '97, when the last Census of Agriculture was completed, more than 60,000 acres of farmland in Flathead County were taken out of production — almost 22 percent of the

available agricultural area, at a rate of 1.4 acres per hour.

"I don't see that changing in the near term," said Jerry Sorenson, real estate manager for Plum Creek Timber Co. "We get blind calls all the time from people who want to buy a piece of land from us. This part of Montana is very popular."

Sorenson was one of several speakers at a Kalispell Chamber of Commerce tour on Wednesday.

The tour highlighted some of factors contributing to the conversion of agricultural and timber lands into real estate developments.

For many local residents, the rate at which this conversion is taking place causes a great deal of heartburn.

Some want to use regulatory barriers to slow the transition and increase the cost of development. Others say let the free market determine our fate.

Most, though, don't know what to do. They only know that the valley is changing, and that free market and regulatory "solutions" can both be unpalatable at times.

"Part of me wishes we could preserve the best farmland by regulating development, but another part of me understands the view of the farmer," said Jeremy Fritz, owner of the Wheat Montana Bakery & Deli in Kalispell and a farmer himself.

"My family farms 400 acres here," Fritz said. "This valley has some of the best soils in the country. It kills me to see houses going up on it — but with so many people willing to buy land, I don't know how you can stop it."

In Eastern Montana, agricultural land can still be had for less than \$500 per acre, he said. In this area, "I think you're crazy to sell for less than \$30,000 an acre, and that's for undeveloped land."

Those numbers are hard to resist, particularly when the average farmer here is in his upper 50s, and when the returns from agriculture are so thin and the risks so high.

"If they do an outstanding job, farmers can make maybe \$1,000 an acre, with all the risk," Fritz said. "So there's the decision: Work your tail off, or sell a few acres here and there."

The picture isn't much better with timber, according to Sorenson.

"The amount people are willing to pay for land in many cases far exceeds our ability to generate cash flow from natural resource production," he said.

Plum Creek, the largest private landowner in Montana and second largest in the United States, hasn't been particularly aggressive about cashing in its real estate base.

Since 1996, Sorenson said, the company has sold about 37,000 of the 1.4 million acres it owns in the state. Half of that went into conservation projects, rather than real estate.

As prices continue to escalate, though, the "highest and best use" for more and more parcels could shift from timber production to development.

"On some lands, we can get three to 10 times more cash flow per acre from real estate than we can from timber," Sorenson said. "In those cases, we're going to look at it for potential development."

The basic economic equation driving this conversion may by now be so lopsided as to be almost unredeemable: Commodity prices are simply too low compared to the amount people are willing to pay for land.

Wheat prices, for example, averaged about \$3.59 per bushel over the last decade, according to the Montana Department of Agriculture.

After adjusting for inflation, that's 60 percent less than what farmers received during the 1980s, and half what they got in the '60s. (That doesn't take into account today's higher yields, but it also doesn't consider today's higher operating costs.)

The value of raw land, by comparison, is riding a rocket.

Just in the last 5 years, the price of undeveloped farmland in the valley has doubled. For developed lots, the median price is now almost \$50,000, and some exclusive parcels of modest size have sold for \$1 million or more. Just for the land.

"There's been a massive influx of wealth and money into the Flathead," noted Flathead County Planning Director Forrest Sanderson, who also spoke at Wednesday's chamber tour. "These are people coming from areas with inflated housing prices, and when they get here, they'll gladly pay \$100,000 for a nice lot."

In such situations, stronger regulatory barriers could affect the conversion rate by adding to the overall cost of development.

Well-designed zoning and subdivision restrictions could also limit growth to more appropriate areas. In addition, setting higher standards and expecting more of developers would ensure that — when an area is converted into residential — at least a quality subdivision gets built, rather than the unsightly, unimaginative Weed Patch View Estates that otherwise so often results.

This approach, though, has a whole different set of consequences associated with it.

"Any time you impose higher standards on development, you drive up costs," Sanderson said. "The high-end subdivisions won't be affected by tougher rules, but you could restrict your ability to create affordable housing."

In other words, increasing regulation won't necessarily stop the conversion of **open**

space into subdivisions. It will just reserve that space for the privileged few, leaving nothing but tract housing for the average person.

"We don't want to set standards so low that it threatens the public health, safety or welfare," Sanderson said, "But if you try to impose rules to slow down the well-to-do, those of us who already live here will be priced out of the market. Trying to strike that balance is incredibly difficult."

So what's the answer?

If we aren't going to push back the plate and say "No" to another helping, if we're reluctant to lock up land through zoning, then what can be done to preserve some of the Flathead's incredible aesthetic bounty for future generations?

The chamber tour briefly outlined four options:

- Pay more for commodities — "I think it could be as simple as an extra dollar per bushel," said Fritz, who was unable to go on the tour. "I think that would keep a lot of farmers in production."

Increasing the amount of value-added processing would also help, he said.

That's the model Wheat Montana has followed: It takes wheat directly from the farm, mills it, bakes it and sells it, capturing a share of the profits along the entire food chain.

"There have to be other creative things we can do like that here," Fritz said. "If we can follow it through to the retail stage, I think there's money to be made."

- Private covenants — This option won't keep natural resource land from being converted, but at least it helps ensure that the resulting subdivision looks decent.

Covenants are privately developed, privately enforced rules and restrictions that address a variety of issue, from the minimum size home allowed within a subdivision to architectural requirements and lawn care standards.

"The use of covenants is discretionary, but almost all higher-end subdivisions will have them," noted Sanderson. "They help protect and enhance property values."

- Conservation easements — The Flathead Land Trust is currently exploring the feasibility of a countywide agricultural or **open** space preservation bond.

The bond would be paid for through a voter-approved mill levy.

The money, which would be leveraged with state and federal matching dollars, could be used to purchase development rights on farmland, wetlands, critical wildlife habitat and other high-valued **open** space.

Traditional natural resource uses would be maintained on the property, but it couldn't be

converted into residential lots. The price of an easement compensates owners for the development rights they'd be giving up.

The land trust is trying to raise about \$9,000 to conduct a telephone survey this fall. The intent of the survey is to determine whether there's adequate voter support to proceed with this proposal.

- Comprehensive planning — Efforts to achieve a community consensus on any major growth-related topic have proven extremely controversial in recent years.

Special interest groups of various persuasions frequently dominate the process.

Local planning boards — which are supposed to weigh the community's overall best interests — have also at times been stacked with ideological members by county and city officials.

Nevertheless, this approach offers one of the few opportunities to debate the issues affecting the valley, to try and balance the competing interests, and to develop an overall vision of our future.

"It's an approach we support," said Sorenson at Plum Creek.

"We have land-use principles that support comprehensive planning," he said. "Responsible land use is good for land values. It also provides a certain level of predictability. We would look very closely at any (land-use restrictions) that might be proposed, but if we get reasonable predictability in return for reasonable use restrictions, that's a good trade-off.

"For the future of the Flathead, if we can be more proactive on the planning side — and in the use of easements to compensate landowners for the rights they give up — then we can make some incremental progress towards protecting the **open** spaces that are so important to the people of the valley."