

Land Leases for New and Beginning Farmers in Colorado¹

What is a land lease?

An agricultural lease for land provides compensation to the landowner for the tenant's ability to access a land (and often water) resource for agricultural production purposes. Leases are categorized according to each party's role in the transaction, the type of payment used, and the degree of risk that each bears (the tenant and the landowner).

There are two main types of leases:

- 1) cash rent agreements which are typically based on fixed rates for the use of land, buildings and other improvements, calculated on a per acre or fraction thereof; and
- 2) share agreements where both the landowner and the tenant share income from crop production, as well as expenses related to that production.

In a cash rent agreement, the tenant has more latitude in crop planning and management, taking into consideration any restrictions the landowner may place on how the property is managed (which also means the tenant bears most of the production and marketing risk). In a crop-share lease agreement, the landowner bears more risk than s/he would with a cash rent agreement, since the payment received will vary according to gross returns from crop production and how expenses are shared between the landowner and tenant.

Although the most common rental arrangement for new, beginning, and specialty crop and livestock producers is a fixed cash rent lease, there are several types of share lease arrangements which offer varying degrees of risk and reward sharing. These include crop-share, livestock-share leases, and labor-share leases. Share agreements are useful for new and beginning farmers as they require less capital outlay for the lease payment and may also include management help or access to other productive capital (equipment, post-harvest facilities) from the landowner. In addition, flexible rate leases offer a hybrid alternative between a cash lease and a share lease, where the base rent is the lower bound on the lease rate (for example, \$212 per year per acre—Table 2 below) and the landowner can expect to receive a higher rate if production or prices cause revenues to rise beyond what was originally projected (for example, gross revenues per acre increase by \$1,000 per acre and the landowner is entitled to 20%

¹ Developed by Martha Sullins, Colorado State University (CSU) Extension; reviewed by Kathie Troudt Riley, P.C. and Dawn Thilmany McFadden, Department of Agricultural and Resource Economics, CSU. Note that this document does not constitute legal advice. Readers are advised to consult an attorney for information specific to their own situations.

or \$200 per acre. This is then added to the base rate for a total rental rate of \$412 per acre). Table A1 in the Appendix summarizes the basic advantages and disadvantages of each lease type.

Why do you need a lease?

Accessing land and water is one of the most significant barriers for today's farmer starting an agricultural production business. The typical pathway to land access is through purchase or inheritance, but many new farmers cannot afford to purchase land, especially land adjacent to urban areas and burgeoning direct markets, and few inherit adequate land and water resources to support a production operation. The alternative is to obtain access to land through a lease arrangement with a landowner who both manages and owns the rights to agricultural land that is suitable for crop or livestock production.

Leasing arrangements may vary depending on the productive capacity of the land, as well as the contributions made by the landowner and the tenant in terms of labor, capital and management. In addition, the stewardship and production goals of each party with respect to the land's use will influence the terms and conditions of a lease agreement. For example, some landowners are more interested in ensuring that their land remains in agricultural production and, therefore, place less emphasis on maximizing their returns to the land through rental payments received. This may be motivated by a tax situation (keeping the land in agricultural production to minimize property taxes or keeping the land rental rate low to minimize investment income) or by personal or socially-oriented goals such as growing the community's food system by making land more accessible to producers with similar motivations.

A lease can also be used to identify and mitigate risk exposure for either or both parties. For example, a landowner can negotiate terms for non-payment of rent by the tenant and a tenant can specify flexible rent terms based on knowledge about uncertain product markets or the potential for severe weather to negatively impact yields and thus income. In Colorado, weather can have serious short- and long-term consequences for a producer, through floods, hail, drought, early freeze, or extended deep cold. For example, drought can impact how much irrigation and well water are available in any given year, affecting not only the crop production but the value of the land for lease. Floods, like those recently experienced in Northern Colorado, can result in complete loss of land and destruction of water transmission systems. Lease provisions may be negotiated to address many of these uncertainties with options to terminate the lease, adjust rental calculations, and other appropriate remedies.

How do you develop a lease for land?

In order to develop a lease agreement for land, there are several necessary components. First, according to Colorado's statute of frauds if a lease is developed for a period of time longer than one year, in order for that lease to be enforceable, it must be in writing and signed by both parties. As a

good management practice, leases should always be written and, when possible, reviewed by an attorney familiar with the tenant/landowner situation to ensure that the lease agreement meets both parties' goals for resource management, income and risk management.² An attorney can also ensure that the lease would be enforceable in the event of a dispute. Although oral or handshake lease agreements are still very common in agriculture, a written lease has many benefits for both parties including the fact that it can be recorded, provide documentation for loan or farm programs, ensure that both parties really agree to the terms of the lease document as they are written, and serve as a reference for that agreement (Cox, 2010). In addition, a written lease is valuable when the lease becomes part of either party's estate. Note that the legal provisions that apply to agricultural lease law are found in landlord-tenant statutes, specifically known as the Forcible Entry and Detainer provisions found at Sections 13-40-101 through 126 of the Colorado Revised Statutes. Section 13-40-105 specifically discusses the tenant's crops.

A well-developed lease can contribute significantly to the profitability of a farming operation by clearly identifying the rights and responsibilities of both parties. In general a lease document should provide the following:

- 1) Identification of the parties involved (landowner(s) and tenant(s)) by proper legal name;
- 2) Beginning and ending dates of the lease term, as well as procedures for renewing the lease;
- 3) Legal description of the property and all buildings and other improvements, and an inventory of all improvements and equipment located on the property;
- 4) Termination clause that specifies how either party may terminate the lease and for what cause(s) and whether there is any penalty for early termination;
- 5) Terms and timing of payment, payment of utilities, assessments, and the like, and the contribution of each party to the operation;
- 6) Prohibited and allowed uses (including value-added enterprises and direct marketing from the property), as well as practices that may be encouraged to maintain certain levels of environmental stewardship;
- 7) Management responsibility for the property and any improvements (which improvements are transferrable and which are a tenant's duty);
- 8) Liability for both parties, including required insurance coverage;
- 9) Any requirements to attempt alternative dispute resolution, such as mediation, prior to commencing litigation;
- 10) Assignability of rights and obligations under the lease to another landlord or tenant; and
- 11) The timing and content of any monitoring (of tenant practices) and tenant reporting (to the landowner) that will be required.

² See "Managing Landlord-Tenant Relationships: A Strategic Perspective," available at: <http://ohioline.osu.edu/fact/0004.html>.

Other terms may also apply depending on the needs of either party. For example, the parties may define concurrent uses of the land between the tenant and landlord or perhaps other tenants (such as use of farm lanes on the property, ability of one or both parties to hunt on the land, and so on).

Calculating lease rates

A. Cash rent values

In Colorado, land lease rates vary significantly depending on several factors. Location affects land value since its derived demand will vary with respect to markets, water availability, soil condition, land use history of the parcel(s) under consideration, weed pressure, and existing improvements on the property (irrigation, fencing, outbuildings). In addition, competition for land from other entities such as municipalities searching for water, oil and gas companies, utilities seeking access to land for wind power generation, and investment companies looking for long-term assets to hold, all influence the price of land and, hence, land rental rates.³

According to a USDA NASS 2013 Land Values report, both irrigated and non-irrigated cropland values have increased in Colorado. For example, the value of irrigated cropland increased by 8% to \$3,400 per acre from 2011 to 2012, and by 21% from 2012 to 2013, resulting in an average of \$4,100 per acre (non-irrigated cropland was \$960 per acre in 2012 and \$1,200 per acre in 2013). Knowing the market value can provide some guidance in determining the cash rental rate for land. For example, surveys from Iowa show that cash rents are between 4 and 6 percent of the current land value (before paying property taxes), based on expected rates of return.⁴

One estimate of the cash rental value for land is the rent to land value ratio or the percentage of the land value that the rent represents. This is not the same as the rate of return on investment for the landowner since property taxes and other fixed costs of land ownership have not been accounted for; however, it does provide one method for developing a benchmark value (and perhaps a base value) for negotiating a cash lease. The table below shows the land value, cash rent value and ratio of the rent to land value for irrigated cropland, non-irrigated cropland and pasture for Colorado.

³ In November 2011, Contex Energy paid \$5,850 an acre for a 320-acre Weld County parcel offered by the Colorado State Land Board (http://www.denverpost.com/ci_19169758).

⁴ Expected rates of return will vary according to parcel location and land quality. A realtor who handles agricultural land transaction may be able to provide data more specific to a particular location.

Table 1. Ratio of cash rent to land value, irrigated cropland, non-irrigated cropland and pasture in Colorado, 2002-2012.

	Cash rent values			Average land value			Rent to value		
	Irrigated cropland	Non-irrigated cropland	Pasture	Irrigated cropland	Non-irrigated cropland	Pasture	Irrigated cropland	Non-irrigated cropland	Pasture
2002	95	22.50	4.00	1,910	510	410	5.0%	4.4%	1.0%
2003	93	23.00	3.50	2,000	540	430	4.7%	4.3%	0.8%
2004	91	22.00	3.70	2,050	570	460	4.4%	3.9%	0.8%
2005	100	23.00	4.30	2,360	620	590	4.2%	3.7%	0.7%
2006	100	23.00	4.00	2,700	740	740	3.7%	3.1%	0.5%
2007	100	22.00	5.50	2,900	820	730	3.4%	2.7%	0.8%
2008	110	24.00	5.50	3,100	890	710	3.5%	2.7%	0.8%
2009	110	24.00	5.50	3,150	840	670	3.5%	2.9%	0.8%
2010	110	23.00	5.00	3,100	840	650	3.5%	2.7%	0.8%
2011	115	23.00	4.50	3,160	880	640	3.6%	2.6%	0.7%
2012	125	26.00	4.60	3,400	960	640	3.7%	2.7%	0.7%

The table above shows that, for all three land types, land values have risen more quickly than cash rental rates. Data from 2012 show that average cash rents represented 3.7% of land value for irrigated cropland, compared to 2.7% for non-irrigated land and less than 1% for pasture land.

Table 2 below shows the range of cash rental rates for irrigated cropland by regions of Colorado (Table 2A in appendix provides similar information for each Colorado county).

Table 2. Ranges of cash rent values for irrigated land in three Colorado regions, 2012 (dollars/acre)

	Northern region	Southern region	Western region
Corn/Sorghum ¹	150 – 400	185 – 325	200 – 350
Small Grains ¹	190 – 250	185 – 325	200 – 350
Alfalfa ¹	190 – 255	200 – 300	225 – 250
Sugar Beets ¹	255 – 350	250 - 350	250 - 350
Cropland ²	55.50 - 212	28 - 161	28 - 75
Assessed land values ³	9.15-141.58	8.09- 116.59	9.53-248.46

¹ABM data (www.coopext.colostate.edu/ABM/)

² USDA NASS data

([http://www.nass.usda.gov/Surveys/Guide to NASS Surveys/Cash Rents by County/index.asp](http://www.nass.usda.gov/Surveys/Guide%20to%20NASS%20Surveys/Cash%20Rents%20by%20County/index.asp))

³Department of Local Affairs, Division of Property Taxation

(<http://www.colorado.gov/cs/Satellite/DOLA-Main/CBON/1251591547549>)

Even though the most common rental arrangement is the cash rent lease, it is sometimes difficult to discover and negotiate rental rates for land that are equitable to both parties. A fair, or equitable, rental rate for land is one that is the result of communication and agreement between the landowner and the tenant. However, as described above, there are both tangible (existing lease rates, water, land and market conditions) and intangible factors (interest in supporting the local food system, other shared environmental or social values) that influence cash rental rates. Several sources of benchmark information for developing cash lease values include:

1) National Agricultural Statistics Service

([http://www.nass.usda.gov/Surveys/Guide to NASS Surveys/Cash Rents by County/index.asp](http://www.nass.usda.gov/Surveys/Guide%20to%20NASS%20Surveys/Cash%20Rents%20by%20County/index.asp));

2) County assessors' offices (<http://www.e-caa.com/cfm/assessors.cfm>)⁵;

3) ABM custom rates surveys (www.coopext.colostate.edu/ABM/custrates.htm);

4) Colorado Department of Local Affairs, Division of Property Taxation

(<http://www.colorado.gov/cs/Satellite/DOLA-Main/CBON/1251591547549>).

These sources of information provide insight into some of the value in a cash rent arrangement, but there is often greater value derived from specialty crop or livestock production that may need to be captured in its use value, in order to calculate a share rent or other flexible rate agreement. In addition, since there is also greater risk involved if the tenant will be growing early and late season crops, or producing crops that require very intensive management for plant growth, heat, cold, water or nutrient availability, the cost structure for specialty crop production is typically very high. For example, labor costs may be quite high since they are the critical input in planting, weeding and harvesting. In addition, soil amendments and specialty seeds are often quite expensive. Therefore, while some cash rent values for commodity production are calculated based on the gross crop value (the state average yield times the state average price), this method of calculation is not practical for a diverse specialty crop farm producing multiple crops over three and, possibly, four seasons. Instead a few alternative methods may be considered:

1. **Landowner fixed or carrying costs**, based on a budget for the operation (since the primary objective of some landowners is meeting the costs associated with owning the property). These fixed costs include depreciation, insurance, repairs, taxes, interest. Using the 2012 mixed

⁵ This website links to contact information for each of Colorado's 64 county assessor's offices. Note that you may be able to access some data online through a county's GIS portal; however, for many counties you will need to contact the assessor directly to obtain assessment information.

vegetable enterprise budget for Northern Colorado, we can calculate a cash rental value based on the following:

Fixed cost category	Budget estimate, per acre costs ^a
Insurance/taxes/licenses	\$969.82
Other fixed expenses	\$449.13
Depreciation charges, interest, capital investments	\$483.87
Total depreciation, insurance, repairs, taxes, interest	\$1,902.82

^a Based on average cost of production data from mixed vegetable crop producers in Northern Colorado, as received from the Farm Service Agency, 2012-2013.

2. **Adjustments based on costs and benefits of farming a specific land parcel.** As described above, many conditions influence the value of land for crop production, which in turn influence a tenant’s potential for profitability, based on the anticipated costs of addressing these identified conditions. Furthermore, if a lease is only drawn up for one or two years, the tenant faces the prospect of having to make significant investments the benefits of which s/he may not realize within that short timeframe. This is a situation where the tenant may wish to negotiate that the landowner bear more of the costs (with a decreased lease value) since the benefits accrue to the landowner over the long term. The table below identifies positive values that result in a more immediate benefit to the tenant and lower costs within the lease term—hence supporting a higher lease value. The detracting values involve greater costs to the tenant to address conditions that may or may not be rectified in the short run—hence supporting a lower lease value for the tenant. Examples of production conditions for specialty crops might include:

Possible condition ^a	Positive value (no additional cost to the tenant)	Detracting value (entails additional cost to tenant)
a. Soil fertility or condition (the percentage of organic matter)	Adequate organic matter for crop production, no amendment necessary	Soil amendment needed prior to crop production
b. Access to market or processing facility	Close to desired market or facility for sales, lower transportation costs	Far from desired market or facility for sales, higher transportation costs (may also require additional packaging for safe handling over distances)
c. Farm infrastructure condition	Outbuildings, fencing, ditches, etc. require no treatment beyond typical annual repair	Outbuildings, fencing, ditches, etc. require significant repair or reconstruction prior to use by tenant
d. Weed control issues	Requires only minimal, regular weed management (by hand or machine)	Pervasive weed infestation requiring significant time to control

Possible condition ^a	Positive value (no additional cost to the tenant)	Detracting value (entails additional cost to tenant)
e. Practices impact on plant and animal biodiversity of landscape	Management practices have already been implemented, little additional cost anticipated	Practices have never been conducted, plan must be adopted and/or implemented, significant additional cost anticipated
f. Environmental sustainability (for example, little soil erosion, little to no contamination of water bodies)	Management practices have already been implemented, little additional cost anticipated	Practices have never been conducted, plan must be adopted and/or implemented, significant additional cost anticipated

^a Note that all expectations the landowner has about the tenant’s management practices should be detailed in the lease document, including timeline for the improvement(s) to take place and how, when and by whom they will be measured. In addition, specific parameters or metrics should also be quantified, such as the distance from the market access point or to processing facility from the farm parcel that causes a significant increase in transportation, loss of product through perishability, and other costs.

In the example below, the initial cash rent value can be adjusted up or down depending on the conditions and potential expenditures the tenant anticipates encountering on the property.

Situation	Average cost for input category	Amount by which operating costs are anticipated to increase		Situation	Amount by which operating costs are anticipated to decrease	
		5%	10%		5%	10%
Soil amendment required	\$514.62	\$25.73	\$51.46	No additional soil amending required	(\$25.73)	(\$51.46)
Farther from market for crops, will add 10% to marketing costs (i.e., packaging, cooling, transportation)	\$681.39	\$34.07	\$68.14	Close to market; farm stand permitted on site	(\$34.07)	(\$68.14)
Cumulative impact on lease value per acre, per year		(\$59.80)	(\$119.60)		\$59.80	\$119.60

3. **Flexible cash rent agreements.** There are several ways in which flexibility for changes in input and/or output markets can be incorporated into a cash lease agreement for specialty crop production. A flexible lease arrangement provides some assurance to the tenant that a cash rent can be adjusted in the case that production and/or market prices are much lower than anticipated—resulting in decreased gross farm revenue—or input costs rise dramatically, resulting in lower net farm revenue. On the revenue side, typically such adjustments are made based on price and yield; however, given that specialty crop producers may be growing many different fruit and vegetable varieties per acre of leased land, changes in gross revenue would be the easiest adjustment to consider. For instance, the landowner and the tenant both agree on the cash lease amount that is non-flexible (the base amount), as in the example given previously—\$212 per acre (from Table 2). Both the landowner and tenant could agree to a flexible schedule, based on average gross revenue. The mixed vegetable production budget shows average gross farm revenue of approximately \$34,000 per acre. In the case that the tenant achieves higher revenues (\$51,417.37 was the maximum revenue amount achieved by growers in this study), the base amount could be adjusted upward by several methods, including an agreed upon percentage or a finite bonus amount. Adjustments for input cost changes (primarily for seed, soil amendments and labor) could be made similarly to those for output price changes where the base rent is adjusted up or down by the tenant’s costs of production. If average input costs are \$15,923.60 per year (based on the mixed vegetable production budget), then any increase or decrease in the tenant’s operating costs can trigger an adjustment to the base rent.

Note that, in general, flexible cash rent agreements require more management, recordkeeping and communication from both the landowner and the tenant, and should be reviewed yearly to ensure that adjustment factors are valid.

B. Share-rent values

The value of crop-share leases (or other shared input agreements) will vary according to what each party is contributing to the crop production enterprise. This contribution may be calculated based on a prior-established ratio (for example, CSU custom rates reports reflect a 67% tenant to 33% landowner share, 75/25 and 50/50 shares for most regions). In the first case, the tenant would pay 2/3 of the operating costs and receive 2/3 of the income from crop production, while the landowner would pay 1/3 of the operating costs and receive 1/3 of the production income.

Alternatively, a crop-share agreement could be developed according to the projected value of each party’s contribution based on projections of the “value” each party intends to invest in the year’s production. For example, if the tenant provides labor, any machinery used, as well as seed, the landowner would provide the rest of the inputs, including land and water, soil amendments, and other expenses. If the tenant’s share, based on costs of production, is 35% then the landowner’s share would be 65%. This could also be the proportion by which they would divide production income.

Information collected from specialty crop producers in 2013 suggested that they use different types of leasing arrangements including cash leases; crop-share arrangements expressed as in-kind donations; and leases where the tenant pays only the operating expenses related to crop production.⁶ Thus, it may signal that new models of agricultural production and marketing will be accompanied by a more diverse set of partnerships between landowners and operators as well.

Perhaps the most difficult issue in developing a share rent lease is calculating how the income will be shared in a manner that is equitable to both parties. Issues that frequently need to be addressed include who benefits from the application of inputs that have a multiple-year benefit. For example, if the tenant incorporates compost or peat that will contribute to soil quality for two years, but is only entering into a one-year lease, then the tenant may want to pay for the value of one year's benefit (half the cost of the compost plus half the cost of the application and incorporation). On the other hand, the landowner may decide to cover the full costs of the compost purchase and application since the benefit will persist when the current tenant leaves after one year and contribute to their land's productive value for a longer period of time. Regardless, if the landowner will be responsible for a share of the input costs, the lease document should also specify when and how this share is to be provided to the tenant to avoid cash flow or production timing difficulties for the tenant.

The landowner's material participation in the production operation affects both his/her tax situation, and may affect his/her ability to influence management decisions on the property. Therefore, in order to claim material participation, the landowner must specify his/her participation in the lease agreement in terms of covering a share of input costs; labor contributed to the enterprise; and/or any advising and consulting with the tenant about the operation. To prevent any managerial tension, the roles of each party in the lease should be clearly delineated before the production period begins.

Example share rent for a specialty crop enterprise

Specialty crop enterprises tend to require high-cost inputs (specialized or heirloom seed, compost, other amendments or supplements) and yield high-value outputs. Most of these costs are operating expenses that would typically be borne by the lessee, or tenant. Using a straight contribution approach, for example, 50%-tenant/50% landowner, to develop a share rent agreement might result in a proportion that is difficult for a new or beginning farmer to support if the cost structure is not adequately calculated. In the mixed vegetable enterprise example, average costs across sample farm businesses show a split of 72% to the tenant and 28% to the landowner, as follows:

- Average operating costs= \$15,923.60 (72% of total costs of production)
- Average fixed costs= \$6,080.56 (28% of total costs of production)

⁶ Based on from small sample results from a survey administered to specialty crop farmers throughout the state in early 2013, by CSU Extension.

Based on this split, average income would also be divided in this manner:

- 72% gross income split to the tenant= \$24,582.12, or an average net income per acre of \$8,658.52.
- 28% gross income split to the landowner= \$9,559.71, or an average net income per acre of \$3,479.15.

The disadvantage to the tenant in this case is that if there is any increase in the operating costs after the lease is signed, the tenant bears that cost increase, while still earning the same 72% gross income split, and receiving a smaller net income. However, both parties share the risk of lower returns (resulting from poor management, weather anomalies, or low market sales for products).

Let's consider a few scenarios to illustrate how the returns to each party may vary. The lowest gross income per acre in this study was estimated at \$18,546. Therefore, if all costs of production remained the same, and only output or sales were adversely affected, the tenant would incur negative returns of -\$2,570.48 (16% of total operating costs would not be covered, representing a potential cash flow issue for the producer), and the landowner would incur a loss of -\$887.68 (15% of fixed costs would not be covered by the share agreement in that year).

A more equitable (and less risky) share for the tenant might involve sharing the fertilizer/soil amendments and seed costs with a 50:50 split which would reduce the tenant's overall share to 68% (and help cover early season, high-cost inputs), and increase the landowner's share to 32%, based on the mixed vegetable production budget.

Examples of innovative land leasing programs

Conserve a Local Farm (CALF): The Columbia Land Conservancy (CLC), based in New York state, protects Columbia County farms using both donated and purchased conservation easements to limit non-agricultural development on its community's working lands. As purchases of development rights are expensive to execute, the CLC also operates *Conserve a Local Farm* which works to identify farmers who will purchase farms that go up for sale in order to keep them in agriculture. In addition, CLC has a [Farmer Landowner Match Program](#) that connects landowners seeking to have their land farmed with farmers seeking land for production. Their farmer/landowner database, technical assistance with lease development, farm mentoring program and *Down to Earth* workshop series provide ongoing support for both tenants and landowners to ensure that leases reflect equitable arrangements that will keep agricultural land in production. The National Farm Transition Network is an umbrella organization that provides information, resources and training to similar programs that help farmers and ranchers access agricultural land (<http://www.farmtransition.org/>).

Boulder County, Colorado: In coordination with the county comprehensive plan and cropland policy, Boulder County manages approximately 25,000 acres of agricultural open space land that has been purchased in fee simple or acquired through conservation easement. This agricultural land is leased to

qualified operators who have demonstrated agricultural experience, a business plan and undergo a bid process with the county. The county's Parks and Open Space Agricultural Resources Division oversees a variety of irrigated, dryland, and range land parcels, manages the leases, and tracks rent and production under an array of methods (including conventional, certified organic, organic practices, other non-organic non-traditional, and agritainment enterprises). Farmers using Boulder County Open Space lands are required to produce annual reporting on crop and livestock activities; develop and follow an annual operating and a written integrated weed management plan; and manage any leased properties consistent with a Soil and Water Conservation Plan.

In addition to providing highly reduced cash lease rates that include land and water rights for production, Boulder County performs a lot of management activities on its leased lands (for example, maintaining irrigation ditches and reservoirs; bringing electricity and potable water and digging ponds for market farms; fencing cropland and riparian areas; re-vegetating lands taken out of production and converting marginal cropland back to grassland; tracking farm yields and efficiencies; and combating noxious weeds). The benefits to tenants under this type of land leasing program include generally more affordable lease rates and a highly visible operation on public open space. However, since potential farmers must go through a competitive bid process and supply additional monitoring information on a regular basis, the timing and demands of this arrangement may not be a good fit for some operations. Furthermore, parcels generally do not have ag infrastructure beyond basic irrigation (for example barns, feeding areas, office space, and greenhouses), therefore developing any additional buildings or capacity is problematic and, in some cases, not possible. Several Boulder County municipalities actively manage and lease public open space for agricultural production, including Lafayette, Boulder and Louisville. Around the country there are similar municipal and county programs that lease dedicated agricultural land to farmers including Boston (MA), Portland (OR), and Salt Lake City (UT), and Sonoma County (CA).

Tips and strategies for managing a successful leasing arrangement

1. Review the terms of the lease annually to ensure that it meets both parties' goals. Does one party need more or less access to the land base? Have significant improvements been made that affect the land's underlying value?
2. Keep accurate production and marketing records that support the derived value of the lease, as well as any material participation on the part of the landowner.
3. Before agreeing to a lease, obtain an "Ownership & Encumbrance" (O & E) report for the parcel in question to discover any encumbrances on the property, such as judgments, bankruptcies and other liens against names of parties in title. An O & E report will also verify the ownership of the property, provide the property's legal description, and specify its assessed valuation for tax purposes.
4. Communication is essential in all lease arrangements. Making sure each party understands the other's goals, motivations and responsibilities is key to developing a lease that both the tenant and the landowner feel is equitable.
5. Lastly, consider obtaining professional legal and tax advising before signing and enacting any lease agreement.

AI. Advantages and Disadvantages of Common Lease Types

Lease type	Tenant Advantages	Tenant Disadvantages	Landowner Advantages	Landowner Disadvantages
Cash rent	<ul style="list-style-type: none"> • Ease of establishment • Makes all operating decisions within lease restrictions 	<ul style="list-style-type: none"> • Needs to discover rental rate • Rental payment is established before production and income potential are really known 	<ul style="list-style-type: none"> • Receives steady income • No management responsibility • Low risk 	<ul style="list-style-type: none"> • No possibility of additional monetary benefit in years of higher than anticipated profits • Restrictions on land uses and management must be clearly identified in lease document
Crop-share	<ul style="list-style-type: none"> • Shared production and price risks • Lower financial risk when operating and/or asset acquisition expenses are shared 	<ul style="list-style-type: none"> • Lower expected return due to income-sharing • More record-keeping required 	<ul style="list-style-type: none"> • Opportunity for higher returns due to income-sharing • Greater control over land and assets 	<ul style="list-style-type: none"> • Return may be lower than cash rent return in years of lower production
Livestock-share	<ul style="list-style-type: none"> • Shared production and price risks • Lower capital investment for (low equity) tenants • Shared investment in livestock 	<ul style="list-style-type: none"> • Lower expected return due to income-sharing 	<ul style="list-style-type: none"> • Allows owner to use past investments in equipment and buildings without contributing labor to the enterprise 	<ul style="list-style-type: none"> • Income may be realized on a less-than-annual basis due to livestock production
Labor-share	<ul style="list-style-type: none"> • Shared production and price risks • Lower capital investment for (low equity) tenants and lower cash labor costs • Tenant shares in management decisions 	<ul style="list-style-type: none"> • Lower expected return due to income-sharing 	<ul style="list-style-type: none"> • Allows owner to use past investments in equipment and buildings • Gains on-the-ground management input through shared labor 	<ul style="list-style-type: none"> • Relinquishes some control over land and assets
Flexible-rent	<ul style="list-style-type: none"> • Shared production and price risks that can be automatically adjusted based on lower market prices, or higher input costs 	<ul style="list-style-type: none"> • Lower expected return due to income-sharing • Requires more management and record-keeping to document production, and input and output prices 	<ul style="list-style-type: none"> • Owner can gain higher rent levels than with fixed cash rent value when returns to crop production are higher 	<ul style="list-style-type: none"> • Increased risk for landowner • Owner can receive lower rent levels than with fixed cash rent value when returns to crop production are less than anticipated

A2. Agricultural land values and cash rent for 2012, by county

County	Total assessed values ¹	Irrigated cropland values ¹	NASS irrigated crop rent rates ²
Adams	\$ 30.73	\$102.82	\$141.00
Alamosa	\$ 92.26	\$ 72.16	\$150.00
Arapahoe	\$ 47.10	\$118.60	\$141.00
Archuleta	\$ 43.34	\$141.42	\$ 51.50
Baca	\$ 13.52	\$ 30.23	\$ 78.50
Bent	\$ 18.99	\$131.30	\$ 87.00
Boulder	\$ 89.81	\$156.58	\$ 55.50
Broomfield	\$ 66.56	\$143.42	\$ 55.50
Chaffee	\$ 61.90	\$ 74.21	\$ 34.50
Cheyenne	\$ 20.35	\$ 64.12	\$141.00
Clear Creek	\$ 9.15	-	\$ 36.50
Conejos	\$ 48.17	\$ 76.60	\$ 74.00
Costilla	\$ 22.74	\$ 70.07	\$ 81.00
Crowley	\$ 9.26	\$ 28.69	\$ 98.00
Custer	\$ 42.56	-	\$ 98.00
Delta	\$ 52.04	\$102.13	\$ 68.00
Denver	\$ 89.95	-	\$141.00
Dolores	\$ 16.58	\$ 43.72	\$ 51.50
Douglas	\$ 89.06	\$ 54.18	\$141.00
Eagle	\$ 50.99	\$131.09	\$ 36.50
El Paso	\$ 21.43	\$ 55.63	\$141.00
Elbert	\$ 13.68	\$ 51.60	\$141.00
Fremont	\$ 23.49	\$ 57.87	\$ 86.00
Garfield	\$ 34.59	\$120.15	\$ 36.00
Gilpin	\$ 18.05	-	\$ 36.50
Grand	\$ 37.09	-	\$ 28.00
Gunnison	\$ 45.54	-	\$ 29.50
Hinsdale	\$ 90.38	-	\$ 51.50
Huerfano	\$ 13.37	\$ 77.75	\$ 98.00
Jackson	\$ 26.92	-	\$ 28.00
Jefferson	\$141.58	-	\$ 55.50
Kiowa	\$ 15.94	\$ 53.26	\$141.00
Kit Carson	\$ 27.70	\$ 56.10	\$111.00
La Plata	\$ 22.91	\$112.05	\$ 49.50
Lake	\$ 14.68	-	\$ 98.00
Larimer	\$ 38.96	\$ 85.73	\$125.00
Las Animas	\$ 8.09	\$112.20	\$ 90.00
Lincoln	\$ 12.49	\$ 51.74	\$141.00
Logan	\$ 31.78	\$118.22	\$181.00
Mesa	\$ 68.98	\$129.61	\$ 75.00

County	Total assessed values¹	Irrigated cropland values¹	NASS irrigated crop rent rates²
Mineral	\$116.38	-	\$ 51.50
Moffat	\$ 9.53	\$ 98.82	\$ 98.00
Montezuma	\$ 18.94	\$158.30	\$ 62.00
Montrose	\$ 64.21	\$140.85	\$ 65.00
Morgan	\$ 52.01	\$106.67	\$133.00
Otero	\$ 29.49	\$201.85	\$118.00
Ouray	\$ 34.64	\$103.62	\$ 51.50
Park	\$ 21.98	-	\$ 36.50
Phillips	\$ 49.66	\$ 79.31	\$212.00
Pitkin	\$248.46	\$130.14	\$ 36.50
Prowers	\$ 27.36	\$126.82	\$104.00
Pueblo	\$ 12.32	\$137.83	\$136.00
Rio Blanco	\$ 34.28	\$ 96.98	\$ 33.00
Rio Grande	\$116.59	\$115.66	\$161.00
Routt	\$ 44.10	-	\$ 45.00
Saguache	\$ 48.39	\$ 72.69	\$120.00
San Juan	-	-	-
San Miguel	\$ 50.79	\$100.11	\$ 75.00
Sedgwick	\$ 49.62	\$ 85.23	\$146.00
Summit	\$ 29.04	-	\$ 36.50
Teller	\$ 21.95	-	\$ 36.50
Washington	\$ 21.89	\$ 46.95	\$141.00
Weld	\$ 57.48	\$161.00	\$138.00
Yuma	\$ 41.29	\$ 73.79	\$200.00

Sources:

¹Department of Local Affairs, Division of Property Taxation

(<http://www.colorado.gov/cs/Satellite/DOLA-Main/CBON/1251591547549>)

²NASS data

([http://www.nass.usda.gov/Surveys/Guide to NASS Surveys/Cash Rents by County/index.asp](http://www.nass.usda.gov/Surveys/Guide%20to%20NASS%20Surveys/Cash%20Rents%20by%20County/index.asp))

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Resources

Ag Lease 101. Multi-state curriculum teaching materials and web resources to help land owners and land operators discuss and resolve issues to avoid legal risk. The website also guides both land owners and land operators towards informed and equitable decisions. <http://aglease101.org>.

American Society of Farm Managers and Rural Appraisers. Searchable database for contact information for rural property appraisers: <http://www.asfmra.org/>.

Glossary of Lease Terms. <http://sustainablefarmlease.org/2010/06/lease-terms/#more-387>. The National Agricultural Law Center also has a glossary of agricultural production, programs and policy <http://nationalaglawcenter.org/ag-law-glossary/>.